Daily Report

Latin America

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FBIS-LAT-95-073 *17 April 1995*

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Third Stage of Ecuadoran, Peruvian Force Separation Begins

PY1404234795 Madrid EFE in Spanish 1700 GMT 14 Apr 95

[FBIS Translated Text] Lima, 14 Apr (EFE)—The Ecuador-Peru Mission of Military Observers (MOMEP) today announced that Peru and Ecuador have begun the third stage of the separation of forces in the conflict zone, in the Condor Mountain Range.

In a communique released in Bagua, in the border region, which is the headquarters of the Peruvian Sixth Military Region. MOMEP confirmed the end of the second stage of the separation of forces process and the beginning of the third stage.

The communique says that the results obtained in the second stage indicate that if that path continues, the difficult mission entrusted to the observers of the guarantor countries "will conclude successfully."

The second stage of the process concluded on 12 April with the withdrawal of personnel—about 1,000 men, weapons and equipment.

The supervision of the withdrawal of troops was made through helicopter air patrols over the security areas that have already been demilitarized.

The MOMEP communique was released after a two-day delay because the group of observers in charge of the mission was not able to return to Bagua on 12 April due to bad weather in the Condor Mountain Range.

The mission of observers and the Peruvian officials have not yet reacted to the Ecuadoran intention to include the Peruvian Sixth Military Region, which was not directly involved in the armed conflict, in the process of the demilitarization of troops.

This military region was created by the Peruvian Government last February in the midst of the conflict and has its headquarters in Bagua, 250 km from the Condor Mountain Range where the armed conflict took place.

Ecuadoran Ambassador in Washington Edgar Teran said on 13 April in Quito that the Ecuadoran Foreign Ministry has conveyed to the guarantor countries that the troop demobilization process "must consider the fact that Peru, with the creation of the Sixth Military Region, has doubled its forces near the conflict zone."

The Easter holiday and the recent Peruvian elections have prevented, for the time being, an official Peruvian answer to the Ecuadoran request to the guarantor countries.

Argentina, Brazil, Chile, and the United States are the guarantors of the 1942 Rio de Janeiro Protocol, which fixed the borders between Peru and Ecuador, as well as the Itamaraty peace agreement signed last Feburary, and the Montevideo Declaration of last March.

The observers of the guarantor countries are verifying the implementation of the peace agreement in the conflict zone. The third stage of the agreement, which calls for the demilitarization, demobilization, and separation of Peruvian and Ecuadoran forces, began today.

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Cuba

GRANMA Cited on Expulsion of Diplomats From U.S.

PA1504044195 Havana Radio Havana Cuba in Spanish 0000 GMT 15 Apr 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] The Cuban newspaper GRANMA has said that the arbitrary expulsion of two Cuban diplomats from the Cuban mission to the United Nations in New York is a new act of hostility against Cuba which only fans the fires of disagreement between Havana and Washington.

Under the headline "Another U.S. Arbitrary Action Against Cuba," journalist Nidia Diaz pointed out that the expulsion precludes normal relations between the two governments and conforms with the obstructionist aspirations of the U.S. Congress' most retrograde sectors.

GRANMA said that the delegation's integrity, as well as the delegation members and their families, including dozens of children, were protected during the incident in which Cuban personnel participated. The 30 August hostile demonstration against the delegation by a number of counter-revolutionaries is part of the universal responsibility that the White House assumed when it offered the U.S. territory for the UN headquarters, the paper continued.

GRANMA recalled that the U.S. Government not only did nothing to prevent the incident but has filed federal charges against two Cuban diplomats in a deliberate attempt to override's Cuba legitimate right to defend its sovereignty.

Expelled Diplomats: Incident Anti-Cuban Provocation

PA1604015595 Havana PRENSA LATINA in Spanish 2219 GMT 15 Apr 95

[By Ulises Canales]

[FBIS Translated Text] Havana, 15 Apr (PL)—The two officials of the Cuban permanent delegation to the United Nations whom the United States recently expelled today said here that the 30 August 1994 incident was an anti-Cuban provocation that could have been avoided.

Upon their return to this capital, adviser Edmundo Suarez Hernandez and attache Saul M. Hermida Griego explained that the aggression several counterrevolutionaries of Cuban origin staged in front of the delegation's offices took place because U.S. authorities paid no heed to repeated warnings against hostile and aggressive actions.

Suarez reported there is interest in using the U.S. extreme right wing as an instrument and propaganda against the island and maintained that the New York police have the resources and capability to prevent actions such as those of August 1994, but they refused to do so.

Evidently, they knew beforehand what was going to occur, because even the media had been forewarned, the official underscored, adding that the U.S. party wants to infuse a legal character to the incidents, but, he emphasized, they do have political implications.

On 30 August 1994, a group of people tried to forcefully enter the Cuban mission at the United Nations, but once their objective was thwarted, they blocked the entrance to the mission, an action that the diplomats from the Caribbean country repelled given the police's lack of action.

Suarez and Hermida assessed an unfair and arbitrary the official announcement that they had been expelled from the United States, which occurred because Cuba refused to accept the petition that their diplomatic immunity be withdrawn so that they might stand trial in that country.

They pointed out that the United States is mainly responsible for and the promoter of these actions against Cuba, because it had taken a complacent attitude about the events in front of the mission.

TV Carries Diplomats' Remarks

FL1704021095 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 16 Apr 95

[From the "NTV" newscast]

[FBIS Translated Text] Saul Hermida and Edmundo Suarez, the two Cuban diplomats who prevented several ultraright-wing Cuban exiles from entering the Cuban mission to the United Nations in New York, returned to Havana on 15 April. Cuban Foreign Minister Roberto Robaina and other Foreign Ministry officials welcomed the diplomats upon their arrival at Jose Marti International airport, where they commented on the 1994 incident:

[Begin recording] [Suarez] The various police units did not coordinate. They could have avoided the incident. Furthermore, the press and television were on the scene before the incident took place. This proves that they were alerted. Yet, the press and U.S. authorities—who boast of knowing events before they actually happen—surprisingly did not know what was happening. The perpetrators wanted to enter the Cuban mission. They chained themselves to the door when they found that they could not enter. This could have been avoided. The New York Police's brutal intervention is also noteworthy, particularly at a time when police brutality is repeatedly being denounced.

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[Hermida] We defended our territory. Despite what many may think, we did not go out to have a street fight or anything of that nature. We arranged for the police to intervene. The recently issued report which made our expulsion official stated that the police intervened quickly—that is, in a minute or so. This is not true. They delayed their intervention. We tried to have them step in, but these people were trying to come in, kicking the doors with their feet. Therefore, we had to do what you all already know.

[Correspondent] Are incidents involving Miami's ultraright-wing common?

[Suarez] Yes, they interrupt and obstruct the Cuban diplomats' job all the time. We are constantly taking measures to ensure that families and children can leave the mission safely. They are constantly harassed. The incidents distract us from our primary diplomatic duties at the United Nations. They are constantly interrupting and preventing us from doing our job.

[Correspondent] Would you respond in the same way if you were to confront a similar situation in the future?

[Hermida] No doubt about it, but perhaps with more maturity, as Edmundo was saying, or perhaps more professionally. I will defend and protect our territorial integrity, whether I am in Cuba or abroad. This is an essential aspiration of all Cubans, of all Revolutionary Cubans. Yes, I would do the same. [end recording]

Alarcon Discusses Migration Talks in CNN Interview

FL1404155895 Havana Radio Rebelde Network in Spanish 1000 GMT 14 Apr 95

[From the "Doing Radio" program]

[FBIS Translated Text] On 13 April, Ricardo Alarcon, president of the National Assembly of the People's Government, held several interviews with important U.S. media in New York.

Alarcon had an extensive conversation with Spanish speaking CNN reporters about the situation in Cuba, and the clear signs of economic recovery in 1994. Alarcon also broached the next round of immigration talks with the United States—to begin in New York on 17 April—which will continue to assess the implementation of the agreements signed by both countries in 1994.

Alarcon stressed that limiting these talks to the immigration issue—as the United States insists—will not help find a radical solution to problems, which were created by the U.S. hostile policy against Cuba with the 30-year blockade its main foundation.

Alarcon added that current demands to strengthen the blockade even more in the Helms bill presented before the U.S. Senate could make the situation more critical, and increase the number of illegal emigration attempts.

Alarcon also addressed the harmful role of anti-Cuban lobbying in the U.S. foreign policy towards Cuba. He cited important changes currently taking place in Cuba.

In addition, Alarcon discussed the potential consequences of approval of the Helms bill, and the negative repercussions stemming from the intention to extend the list of possible beneficiaries to receive compensation for nationalization of properties formerly owned by Cubans who are now U.S. citizens.

Alarcon also announced the Cuban authorities' decision to hold public meetings to broach the Helms bill, and the particulars discussed in the Senate, to make them widely known to all Cubans.

Commentary Views Clinton's Foreign Policy

PA1704011095 Havana Radio Havana Cuba in Spanish 0000 GMT 16 Apr 95

[Commentary from the "Cuba Comments" segment of the "Evening Information Review" newscast]

[FBIS Translated Text] Going into the final stretch of his term, U.S. President William Clinton continues to fail to establish, with a clear and precise action, a positive foreign policy that will lead the way toward an era of peace and stability in the world. The harshest guidelines of the former Republican administration have prevailed in U.S. foreign policy. This administration is being manipulated by the rhetorics of the ultrarightist group that heads the Republican majority in Congress, a group whose main goal is to defeat the present Democratic administration by all means possible.

Concerning Cuba, no other administration has been more rhetorically aggressive than that of Ronald Reagan and George Bush. Reagan based his anti—Cuba policy on the so-called Santa Fe Document, which served as the basis for the creation of the subversive radio station that usurped the name of Cuban hero Jose Marti. That radio station is still broadcasting against Cuba, without attaining any results that may justify the millions of dollars that have been spent and are being spent in its operation.

Bush came along later with his monster, TV Marti, a new insult to the dignity of Cuba and Latin America. TV Marti has been unable to penetrate the rebellious island, because Cuban technicians have successfully interfered in its transmissions. This attempt to broadcast to Cuba has cost and is still costing U.S. taxpayers millions of dollars.

Mr. Clinton is still wasting resources in endeavors that have only led to losses and no results at all. In his eagerness to achieve electoral success in Florida, Clinton has associated himself with small fascist and mafia-like groups of the Cuban counterrevolution based in Miami. These groups lost, a long time ago, the little credibility they had among the emigre community.

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According to visible evidence, there are certain people working within the Democratic administration but disagreeing with the economic blockade policy against Cuba for various reasons. This is a policy the Clinton administration has inherited, one he insists on maintaining despite international opinion and the growing internal opposition of important social sectors.

It is known that this policy is erroneous and unsuccessful, as former President Richard Nixon acknowledged before his death, but Clinton does not dare change the trend and take a new direction. He has made some progress in the cases of China and Vietnam, very old and implacable Communist adversaries, which, by the way, have not ceased to be so. He seems horrified by the sole idea of doing the same with Cuba. An old adage states that the worst of any behavior is not to make a mistake but, rather, to insist on making it.

The U.S. Government, now under Mr. Clinton's leadership, refuses to face reality. The so-called Compromise with the Nation program advocated by rightist extremists, who have set themselves up as spokesmen of the Republican majority in Congress, seems to have made more of an impression on President Clinton than on the rest of the nation. Far from fighting with his own initiatives—initiatives that won him popular support in the last presidential elections—Clinton is trying to keep what Republicans promised. No one, inside or outside the United States, can win an election with his adversary's political platform. Clinton's government program is dormant and forgotten in view of the offensive by the ultrarightist Republicans. If the U.S. President really wants to be reelected and, more significantly, play a relevant role in history, he must change his course in an innovative and creative way. To do so, President Clinton must dare to be different.

'Sensational' Book Narrates CIA Cold War Activities

PA1404200095 Havana PRENSA LATINA in Spanish 1949 GMT 13 Apr 95

["Book on CIA published in Cuba Considered Sensational"]

[FBIS Translated Text] Havana, 13 Apr (PL)—The book "Cuba: The Secret War of the CIA" includes declassified G-2 [Cuban State Security] and U.S. intelligence documents and uses an excellent spy novel style that captivates readers.

The sensational book, written by Division General Fabian Escalante, narrates the activities the secret agency carried out from 1959-62, in the midst of the Cold, which, according to the author, has not ended for the Caribbean country, to destroy the Cuban revolution.

Thwarted attempts to assassinate Cuban leaders, the Bay of Pigs invasion, and operations "Patty," "Liborio," and "Mangosta," represent the largest ever subversive campaign implemented by the United States against any country and are the gist of the document.

The Huber Matos plot, the manipulation of such people as Frank Sturgis, Eugenio Martinez, and Howard Hunt, who were to act as "plumbers" in the Watergate case, the "escape" of Cuban Air Force Commander Diaz Lanz, and the collusion between the mafia and former President Prio, accomplices in the assassination of Kennedy, are exposed.

This inventory on undescribable teamwork deals with the relations the CIA, the Cuban contras, and the U.S. mafia had in the 1960's with certain Latin American chiefs of government.

The CIA's "anti-communist" arsenal against Cuba included attempts to poison Cuban leaders, terrorist activities, psychological warfare, economic sabotage, and lies.

The book, published by the editorial house "Capitan San Luis," with an edition of 10,000, rigorously informs readers about the sordid world of the covert war and the soundless work of the "faceless" men of the island's security.

General Escalante was once chief of important offices of the Interior Ministry, whose counterintelligence apparatus is credited with having neutralized hundreds of enemy actions.

Escalante, son of a distinguished communist leader and grandson of a Cuban War of Independence Army captain who fought at the side of U.S. troops in the Spanish-Cuban-American war of 1898, is an expert on CIA Cold War activities.

Escalante, who is almost 50, looks like a movie star, and the general exhibits a superb disposition and a 120/80 blood pressure reading despite a career in which danger is the norm.

Radio Notes Link Between 'Blockade,' Emigration

FL1404155595 Havana Radio Rebelde Network in Spanish 1000 GMT 14 Apr 95

[Unattributed commentary; from the "Doing Radio" program]

[FBIS Translated Text] The definition of the word blockade involves the suffocation of a nation's economy by means that contradict international law and oppose the sovereignty of the country affected by the blockade, as well as others. A blockade is an economic war.

What are the goals of the blockade? The blockade aims to drain the people, exhaust their patience, tire them out due to shortages, frustrate them by isolation, manipulate them trough radio broadcasts, and promote the emigration of people—particularly influential people, and high profile artists or professionals.

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The blockade is a very well designed scheme to try to shatter [reventar] the country from the inside.

Being unaware of the economic blockade is a way of strengthening it.

Studio Interview Addresses Helms Bill

FL1504012295 Havana Tele Rebelde Network in Spanish 1630 GMT 14 Apr 95

[Studio interview with commentator Carlos Iglesias by announcer Julio Acanda; from the "NTV Midday Broadcast" newscast]

[FBIS Translated Text] [Acanda] The National Assembly of the People's Government [ANPP] has annonced that a special audience will take place on 3 May regarding a bill sponsered by Senator Jesse Helms and Representative Dan Burton of the U.S. Congress. If this bill were to be approved, it could dangerously affect life in Cuba. That is why Carlos Iglesias is here again today to comment the issue. Welcome, Carlos.

[Iglesias] Yes, thank you. Here we are again to talk about the same issue. This is a bill that could be approved despite the fact that it has been rejected internationally because worldwide public opinion does not seem to have much bearing on polictical debates in the United States. That is the situation now with the Helms Bill debate.

[Acanda] With reference to the blockade, Canada seems to have a position...

[Iglesias, interrupting] What I wanted to say was that last night, President William Clinton stated that this bill was not necessary.

[Acanda] Yes, that is right.

[Iglesias] However, what I wanted to explain is that Clinton's opinion is based on the fact that he thinks the Torricelli law is an adequate policy for Cuba. His statements must be seen in light of the confrontation between the present Democratic administration and the U.S. Congress, which is in the hands of the Republican majority. We must consider this situation When we analyze Clinton's statements. In any case, as I was saying, international opinion bears no weight in political debates in the United States. This week, the (GLOBAL MAIL) newspaper, a Canadian publication, pointed out that 101 countries voted against the blockade in the United Nations, but...

[Acanda, interrupting] Yes, we had read the newspaper together and spoke about that issue. I was saying that Canada has maintained a very strong position against the blockade.

[Iglesias] Yes, Canada's relations with Cuba are very good right now. We must also bear in mind that important Canadian economic sectors—such as the sugar industry—have rejected relations that would be limited by U.S. policies. Even though Canada and the United States are associated, through the Free Trade Agreement, their relations are difficult because the United States reduced the import quota on Canadian food products by one half. All these issues influence Canada's rejection of these measures that would limit national sovereignty.

[Acanda] In our opinion, what would the...

[Iglesias, interrupting] What I want to talk about are the economic consequences of this anti-Cuban initiative. These consequnces are very complex because there are many factors to this issue. The bill would obstruct eight out of every 10 investments that could be made in Cuba. However, we must bear in mind that over 2,500 companies—from over 100 countries—have business relations with Cuba. This also affects U.S. companies, many of which are interested in investing, but are entirely prohibited from doing so by this bill.

[Acanda] Is there any information on what type of companies wish to invest?

[Iglesias] The (SUN-SENTINEL) newspaper, which is edited in Florida, reported that over 170 U.S. companies have recently visited Cuba. According to this report, one third of these companies are on the Fortune-500 list. The same report mentions huge companies from all sectors and points out that the ones that have had contact with Cuba, together gross over $300 billion a year.

[Acanda] Were any results achieved from these contacts?

[Iglesias] The report points out that several companies signed letters of intent for after the blockade is lifted. However, the lifting of the blocakde would be still more distant if the Helms and Burton bill were to be approved.

[Acanda] Well, why have they come? How do you figure that out?

[Iglesias] The problem is that investments in Cuba have reached over $2 billion in the last four years. I am not discovering the wheel here if I point out that U.S. businessmen are fearful of losing this race to their competitors.

[Acanda] Is the volume of operations really that interesting?

[Iglesias] No, not if you analyze it overall, but it is not something to sneeze at. There are estimates that point out that if the blockade against Cuba were to be lifted, U.S. trade with Cuba during the first year would reach $1.5 billion. It is therefore important. In any case, U.S. companies have seen that Cuba has signed accords protecting foreign investments with several countries, and other accords are currently being discussed. As you well know, debates are currently underway on broadening and expanding Cuba's law regulating foreign investments. The objective of this anti-Cuban initiative, therefore, is to try to destroy these relations.

[Acanda] Carlos, what influence do you think the claims for indemnification by several U.S. companies against

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Cuba will have? I understand there are 6,000 claims, for a total of $2 billion. This is a significant amount of money.

[Iglesias] That is a good question. The Helms and Burton bill is the first anti-Cuban initiative proposing the recovery of properties nationalized by the Revolution. This aspect of the bill includes all those who left Cuba and went to the United States as of 1959—Batista supporters and all. This means that it affects people who are [illegible] even U.S. citizens, or who, in any case, became citizens after the nationalization.

[Arcanda] What would the moral of the story be in this case?

[Iglesias] In my very humble opinion, I think they are trying to recolonize Cuba. What they want is for Cuba to return to the situation it was in before 1959. They are trying to put Cuba's destiny in the hands of those who abandoned it back then, who went to seek refuge in the United States, especially in South Florida. This would mean returning to those times.

[Arcanda] A very complex issue. Thank you, Carlos. I remind everyone that the ANPP has called for public meetings on 3 May to apprise all Cubans of the Helms and Burton bill and to allow them to express their opinions.

Article: Helms-Burton Bill To Have Boomerang Effect

PA1504184695 Havana PRENSA LATINA in Spanish 1109 GMT 15 Apr 95

[By Julio A. Machin]

[FBIS Translated Text] Havana, 15 Apr (PL)—The so-called Helms-Burton bill, which attempts to overturn the Cuban economy with international coercive measures, will have a boomerang effect and will also reverberate against U.S. interests.

The sponsors of the bill are presumably trying to fight President Fidel Castro's government, but the strategy they are using is interfering with the president's constitutional powers, creating friction between the country and its closest allies, and isolating the country in the international arena.

The United Nations, the European Parliament, the Latin American Parliament, the Association of Caribbean States, the Rio Group, and, even, the Miami Summit have rejected Washington's blockade against the island, but the bill will elicit the greatest negative reactions in the economic sphere in the United States itself.

"This law requires a significant increase in resources, which is problematic during a period of budget reductions," Alexander Watson, assistant secretary of state for inter-American affairs, has said at the Senate hearings on the Helms bill.

According to Cuban Legislative Assembly analysts, not only would the U.S. Administration be forced to set up systems to monitor merchandise entering and exiting the country but would also have to reinforce its courts in order to respond to the ensuing onslaught of lawsuits.

Furthermore, the analysts anticipate that judicial authorities will have to spend much money to deport all the people found "guilty" of trading with Cuba.

In compliance with what is established in this bill, the President of the United States will have to report on the punitive actions taken in U.S. territory against more than 2,500 firms in 109 countries with which Cuba has economic and commercial relations, thus violating GATT and its own free trade agreement (NAFTA).

The European Union, however, has interpreted this "geopolitical position on Cuba as a recognition of our economic potential," a Cuban Legislative Assembly official has said, explaining that the visits by businessmen had increased since the bill was presented.

He added that 25 parliamentary delegations from 25 countries had come to Havana from 15 January-28 February and that business interests were foremost on their agendas.

During this same period, Cuban authorities received the visits of commercial delegations from the UK, France, and China. Furthermore, Cuba has signed investment protection agreements with Russia, Italy, Spain, the UK, and Colombia in the past years, and a similar agreement is being negotiated with Germany.

According to a TIME magazine editorial, U.S. businessmen are losing ground in a market that is being won by investors from Canada, Europe, and Latin America. The magazine warns, moreover, that the Helms bill ties the hands of U.S. investors even further.

In this sense, Alexander Watson has told the senators they should ensure that "the bill will not have a negative impact on the broader interests of the United States."

According to a Gallup Institute poll published by the magazine FOREIGN POLICY, 67 percent of the North Americans believe the United States has vital interests in Cuba, the reason why six of the 10 largest U.S. firms, according to the specialized magazine FORTUNE, traveled to Havana to investigate the possibilities of investing in Cuba.

Gary Jarmin, a well-known lobbyist who was associated with the lifting of the blockade against Vietnam and North Korea, has launched the following as the slogan of his campaign against the U.S. policy toward Cuba: "Free commerce today and no aid tomorrow."

The newspaper THE WASHINGTON POST has augured in a recent article that the reinforcement of hostilities toward the island would spark a migration explosion much larger than the one experienced last

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August and would multiply the costs of maintaining refugee camps, which are already running into the millions.

Commenting on the Helms bill in recent statements to the press, U.S. President Bill Clinton has said there is no need for more laws apart from the 1992 Democracy for Cuba Act to direct U.S. foreign policy toward the island.

General Cited on Relations With U.S.

PA1704021695 Havana PRENSA LATINA in Spanish 2016 GMT 16 Apr 95

[By Alejandro Torres]

[FBIS Translated Text] Havana, 16 Apr (PL)—Division General Ulises Rosales del Toro, first vice minister of the Revolutionary Armed Forces (FAR) of Cuba, affirmed today that the road to peace would prevail in relations between the United States and Cuba sooner or later.

Nothing is farther from Cuban interests than war, Rosales del Toro said during the national celebration of Militiamen's Day and the 34th anniversary of the proclamation of Cuba as a socialist state, presided over by Cuban FAR Minister General Raul Castro.

Rosales del Toro chastised U.S. Congressman Jesse Helms, sponsor of an anti-Cuba bill, "for his meager enlightenment and for playing up to the counterrevolutionary mafia in Miami."

"The supporters of that aberrant policy against Cuba are not concerned about jeopardizing their relations with other nations, violating international agreements, or injuring their own citizens," the division general and chief of the General Staff said.

Rosales del Toro added that these forces are behind such actions as the public opinion poll cited by cable dispatches from Miami pretending to determine how many U.S. citizens consider Cuba as a "vital interest" to the United States, a phrase which they have used often in an attempt to legitimize the most unjustifiable aggressions.

Rosales del Toro said they intend to show with these polls that a majority of U.S. citizens favors military intervention against Cuba.

Rosales del Toro said, however, we also know what the U.S. citizens with common sense believe despite constant poisoning by anti-Cuban propaganda.

We hope the mass media of that nation will continue to call for good sense, and we are confident the road to peace will prevail sooner or later, Rosales del Toro said.

The general also congratulated the excellent "Sanguily Rescue" tank unit, located in the Havana neighborhood of Managua, site of the ceremony to celebrate 30 years since its founding.

During the act, Brigadier General Saul Rodriguez Planas, second in command of the western Army, read a letter from President Fidel Castro congratulating the members of that group for their success in all areas.

"It is stimulating to appreciate the success you have achieved despite the difficult conditions imposed on us by the current situation," the letter states.

These results affirm Cubans' conviction that the "fatherland, the revolution, and the conquests of socialism will not be preserved with words but, rather, with the attitudes and the conduct you have adopted," Fidel Castro stated.

In addition, Raul Castro gave Revolutionary Commander Juan Almeida and Army General Abelardo Colome diplomas distinguishing them as founders of that unit. In turn, Almeida and Colome gave similar titles to another 10 Cuban high-ranking officers.

Seventeen personalities from the fields of letters, arts, and history, and three of the island's institutions received a replica of the machete of General Maximo Gomez, a Dominican, a hero in Cuba's fight for independence in the last century.

Actor Patricio Wood spoke on behalf of those who received the award. He said that for more than a century for Cubans, being a patriot has meant having a military attitude, just as being a soldier has meant feeling a profound patriotism.

"There is no better weapon to brandish than a pen to write, a brush to paint, and a curtain as it opens on a stage, and in the morning's bugle call let us make art our next act," he said.

'Straight Talk' Views 'Tension' in Russian Foreign Ties

FL1404132795

[FBIS Editorial Report] Havana Radio Rebelde Network in Spanish at 1700 GMT on 13 April in its regularly scheduled "Straight Talk" program with Host Osvaldo Rodriguez and guest Eddy Jimenez features a discussion of Russia and its foreign policy.

Jimenez begins the discussion by pointing that Russia faces many internal difficulties. Concerning Russian foreign policy, Jimenez notes: "After withdrawing from the international scene, Russia is now taking steps to reinsert itself, once again, in the world panorama as one of the key players, in this case as a regional power. It is attempting to recover its important role there.

"It is my opinion that these efforts are geared towards a security initiative within the Commonwealth of Independent States as a way to counter NATO's moving closer to its borders. At the same time Russia is trying to fill a geopolitical void with allied countries."

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Rodriguez and Jimenez then turn to Russia's relations with its neighboring countries and the bilateral accords signed with them after which Jimenez discusses Russia's relations with the Middle East: "They have reactivated their policy towards the Middle East. Russia's diplomacy was very active in recognizing Iraq's sovereignty and the Kuwait border in an attempt to get the blockade dictated on Iraq lifted, sanctions which were backed by the UN Security Council and developed capitalist countries. Moscow has also enforced its decisions in the sense that they have gone forth with the sale of Russian atomic reactors for a power plant under construction in Iran, something the United States opposes."

Rodriguez then focuses on the tension in Russia's relations with Western countries. Rodriguez says: "I would like to discuss this because some say that this formerly socialist world could become the Third World of Europe. I would like to know what role does Russia play in all these relations between the West and the socialist world?"

Jimenez replies: "The focal point of tension between Russia and the West lies in the Soviet position on the crisis in the former Yugoslavia. Russia is trying to avoid losing all its influence in that zone, which is of great strategic importance, the natural bridge between the Black Sea and the Mediterranean. Russian diplomacy has always favored the Serbs, while the United States leans towards the Muslims and Bosnians.

"But the greatest discrepancy between United States and Russia lies in the agreement reached in December by the members of NATO, at the proposal of the United States, to extend that alliance to include Eastern European countries: former members of the Warsaw Pact. This would bring NATO closer to the Russian border—something that is very dangerous. This decision is interpreted by Moscow as an unfriendly gesture tending to plant seeds of distrust among countries that are supposedly no longer enemies. This gesture is not looked upon favorably by the different sectors of the Russian population especially among the armed forces, and the nationalist political sectors, who have gained much strength lately."

Rodriguez then discusses relations between Clinton and Yeltsin, saying: "For many observers it is clear that U.S. President Bill Clinton has made support for Yeltsin the center point of his policy towards Russia." Jimenez agrees and adds: "That is because they know that an abrupt change in that country could jeopardize the transformations that are bringing Moscow towards capitalism."

Rodriguez then talks about President Clinton's visit to Moscow. Jimenez mentions that this visit is in support of Boris Yeltsin in view of the difficult internal situation. Jimenez notes that so that President Clinton would not be linked to the Chechen conflict, President Yeltsin decided to limit the 9 May parade to 2,500 World War II veterans and exclude all military armament. Meanwhile, another parade, with the participation of troops and modern military equipment, will be held that same day just west of Moscow but without Clinton being present. He notes: "It was the diplomatic solution they came up with so that United States would not be viewed as a supporter of the conflicts between Russia and Chechnya."

Summing up the program, Rodriguez asks Jimenez if he believes there could be "violent changes" in Russia's internal situation. Jimenez responds by saying: "Remember that Boris Yeltsin is in a difficult situation. Remember that the possibility exists for ultranationalist sectors—or nationalist, as you may want to call them—assuming power in the Soviet Union through elections. Remember that there is discontent among the Russian Armed Forces." Jimenez then concludes by saying: "With a situation like this, aggravated by the difficult economic situation and the difficult social situation, anything could happen."

Commentary Stresses Importance of Expressing Opinions

FL1504153095 Havana Radio Progreso Network in Spanish 1000 GMT 15 Apr 95

[Commentary by Nestor Nunez; from the "Today's Issues" segment of the "First Thing" program]

[FBIS Translated Text] BOHEMIA published Pedro Vinas Alfonso's article on disagreement [polemica] in March. We must discuss this important issue:

I agree with Vinas when he writes that the Cuban people are not poised to broach this issue calmly. Many flatly reject all conflicting opinions and do not appreciate someone else having a different view. For too long we have lived on the defensive, besieged and threatened on many fronts. This has resulted, perhaps unintentionally, in a unique behavior and way of confronting everything that opposes our views. Some people have become way too sensitive and see in every opposing view or criticism a desire to destroy or shatter the status quo, an effort to hurt and damage. They fail to understand the usefulness and advantage of having hundreds of ideas to refer to on any issue or from which to extract a common denominator.

Who can forget the infamous troublemaker label that was hung on many occasions on people who expressed different views on many issues? If a worker had an opinion that differed from that of the management, he was seen in a bad light. If a citizen had opinions which differed from those in vogue, the same happened. This was the result of the negative practice of seeking uniformity, despite the fact that life shows us that in creative diversity lies, precisely, the safest step in the path ahead. Therefore, nothing is more essential than opening one's spirit and mind to creative dialogue, the flow of interpretations and ideas, and the healthy confrontation of views and opinions which in the long term might yield

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results and solutions which are much more reasonable than those that might come out of one of two heads [mas legitimas que las que pueden salir de una o dos cabezas].

Therefore, our society has a duty to promote disagreement and encourage opinions and views that, of course, have nothing to do with recalcitrant, dogmatic, and diametrically opposed views on the system [signo] which we seek to develop and strengthen. From the healthy confrontation of ideas stems safer paths and, above all, springs forth beliefs and creative actions because when efforts are coupled with something one deeply believes in, the most likely outcome is effectiveness and drive.

Low Rainfall Levels Prompt Nationwide Water Shortages

FL1604205795 Havana Radio Rebelde Network in Spanish 1700 GMT 15 Apr 95

[From the "National Radio News"]

[FBIS Translated Text] Havana's major reservoirs are drying up, resulting in water shortages in several municipalities. The same thing is happening in other provinces. The Havana municipalities affected most include: Centro Habana, Habana Vieja, Cerro, Plaza, and 10 de Octubre. The situation is even more critical in Santiago de Cuba, Las Tunas, and Villa Clara Provinces, as well as in other areas of the country. Efforts have been made to improve water service gradually since August, when the government commission was established in Havana City.

The notice carried in today's GRANMA points out that resources have been allocated to reverse the current state of deterioration of the water supply system, particularly the elimination of leaks and reconstruction of supply sources. The long drought that helped the potato harvest, as well as that of other crops, is hampering today's modest advances.

Havana aqueduct and sewer service officials told GRANMA that shortages at the Vento and Aguada del Cura reservoirs are resulting in shortages in Centro Habana, Habana Vieja, Cerro, and 10 de Octubre Municipalities. Therefore, it has been necessary to readjust the water schedule in certain areas of Plaza, Cerro, and Boyeros Municipalities—directly served by the southern basin—to maintain levels in the Palatino tanks at night and to avoid worse shortages in municipalities served by those facilities.

Havana is currently experiencing a water shortage of 122.74 million liters per day. Havana's central and eastern municipalities can expect more water shortages if there is not enough rainfall in the next few months, despite all of these efforts. This would make it necessary to implement new water service measures. These will be announced in due time.

Several Arrested, Tried for Scheme To Obtain U.S. Visas

PA1604150295 Havana PRENSA LATINA in Spanish 0350 GMT 16 Apr 95

[FBIS Translated Text] Havana, 15 Apr—(PL) Several people who were arrested for selling forged documents to obtain U.S. visas were tried in Havana today.

According to evidence presented by the Attorney General's Office and the confessions of several of the accused persons, two of them had been selling forged documents which stated that the interested party was politically persecuted.

With such documents, Francisco Chaviano, one of the most seriously involved persons, took advantage his close, six-year relationship with the U.S. Interests Section in Havana to present buyers as politically persecuted individuals.

During the hearing, Cesar Augusto San Martin and Alberto Boza declared they had obtained the blank document by taking advantage of their status as a member and former member, respectively, of the Interior Ministry. San Martin said: I admit the charges. I have nothing else to say. The evidence is there.

Boza similarly admitted his guilt. Juan Carlos Gonzalez Vasquez, who obtained a visa under the method devised by San Martin, Boza, and Chaviano, reported that he paid Chaviano 30,000 pesos cash—equivalent to $30,000 at the official rate—and 2,000 pesos worth of household appliances. In addition, Gonzalez Vasquez pledged to give $5,000 to Chaviano's brother, who resides in the United States. Chaviano admitted having received the money and the appliances, but argued that he had done so as a donation to an opposition group that he leads in Havana.

Interrogated by prosecutor Raul Sierra during the hearing, Gonzalez Vasquez said: I will be clear. We made a deal, and I put the money in his hands.

Ernesto Aguilar Verde, tried for forgery, said he paid $2000 to San Martin and Boza for documents to present his visa application, through Chaviano, as politically persecuted.

During the hearing, the prosecutor demanded 20 years for San Martin and Chaviano, 18 for Boza, and lesser sentences for the others on charges that they had violated several Penal Code articles.

Prosecutor Sierra described the accused as dangerous common criminals who acted for personal profit.

Six counsels for the defense requested sentence reductions for San Martin and Boza and acquittals for the others.

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Attorney General Rejects Report on Killing of Cardinal

PA1404155195 Mexico City XEW Television Network in Spanish 0430 GMT 13 Apr 95

[From the "24 Hours" newscast]

[FBIS Translated Text] In a bulletin, the Attorney General's Office has flatly rejected a report by the Italian magazine TRENTA GIORNI stating the assassination of Cardinal Juan Jesus Posadas Ocampo, according to a confidential report by Special Prosecutor Pablo Chapa de Zanilla, was provoked by a drug traffickers-police plot. The magazine has stated the report will remain confidential in Mexico until the perpetrators of the assassination are captured. Reportedly, they have already been identified although the masterminds have not. In addition, the true cause of the crime is not known yet. The cardinal was, perhaps, gunned down for political and religious reasons, the magazine has stated.

The bulletin adds: The Attorney General's Office denies the existence of such a confidential report and states the investigation has not been concluded yet. Special Prosecutor Chapa de Zanilla is carrying out a serious investigation, which is the office's main task. The Attorney General's Office rejects these groundless reports and confirms its commitment to report to the public about the investigations conducted as soon as the truth has been properly established.

Government Officials Visit Site for Chiapas Talks

PA1504231595 Mexico City XEW Television Network in Spanish 0430 GMT 15 Apr 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Representatives of the federal government and of Chiapas visited the capital of San Andres Larrainzar Municipality on Friday, where the Chiapas peace dialogue is scheduled to begin on 20 April.

As Good Friday was being commemorated, the delegation, headed by Ambassador Gustavo Iruegas, representing the Government Secretariat, and Senator Pablo Salazar, representing the Chiapas government, visited possible sites for the talks. These sites include the Community House [Casa Ejidal], a one-story building with capacity for 200. It is one block from Larrainzar's central plaza. They also spoke with municipal officials and inspected the town's facilities for hosting the delegates, representatives of the news media, and members of the public expected to attend.

In an interview, Ambassador Iruegas said that because of the wide-ranging nature of the two topics to be discussed at the beginning of the dialogue—reciprocal measures for detente and procedural rules for the basic protocol of the talks—the talks, slated to begin on 20 April, will continue as long as necessary.

[Begin Iruegas recording] The topics are complex: they could take more than one day, or two or three days. I can't make any guarantees. All that I can guarantee is that the sides are willing to stay there until we finish discussing all items on the agenda. [end recording]

In turn, Salazar, a member of the Harmony and Peace Commission, explained that issuing of credentials for the talks will begin Monday afternoon.

Diego Perez Hernandez, president of San Andres Larrainzar Municipality, said a meeting will be held Saturday with local residents to brief them on the details of the dialogue.

[Begin Salazar recording] I think things will be fine. We all want peace. We want the two sides to agree so we will be allowed to work, as we did before. I don't think there will be any major obstacles. [end recording]

Approximately 2,600 (Opxiles) Indians live throughout the municipality, which is made up of 43 communities and has a population of 22,000.

Secretariat Urges EZLN To Assume 'Attitude of Detente'

PA1404190895 Mexico City LA JORNADA in Spanish 12 Apr 95 p 12

[Report by Salvador Guerrero Chipres]

[FBIS Translated Text] The Government Secretariat has reported that in the San Miguel joint declaration, the federal government and the leadership of the Zapatist National Liberation Army [EZLN] "committed" themselves to abstain from all activities that could hamper the negotiations and to consolidate the spirit of "good faith" so differences may be resolved successfully.

The secretariat urged the EZLN to assume an "attitude of detente" in line with the government's decision to suspend the citations against that group.

In a communique issued at 2200, as part of its "strategic communications policy," in order to present the Law for a Dialogue, Reconciliation, and Honorable Peace in Chiapas [Ley para el Dialogo, la Conciliacion, y la Paz Digna en Chiapas] as a "fundamentally government made initiative" and to suggest that "the government is fully in favor of a dialogue," the Government Secretariat stated the commitments established in the declaration, which includes the positions of the two parts, "call for actions and a conduct" necessary to assure mutual respect, objectivity, and a positive disposition.

The secretariat added that the "proportionality" to which both sides are committed from the beginning must prevail in all the negotiations and that the 9 April meeting and the resulting declaration "constitute a first and solid evidence of the efficacy of the Law for the Dialogue," which is "a fundamental tool for reconciliation and peace in the state."

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The Government Secretariat stated the principles contained in the declaration signed by the EZLN and the government and the agreement to move toward a Protocol of the Basis for Negotiating an Agreement for Harmony and Peace with Justice and Dignity [Protocolo de Bases para la Negociacion de un Acuerdo de Concordia y Pacificacion con Justicia y Dignidad] are "commitments that call for action and a conduct directed at ensuring that the dialogue and negotiations process take place in an environment of good faith and mutual respect."

The sides must have the "decision to continue" with the negotiations process, must be prepared "to resolve differences," to overcome incidents that could block the agreement, and must be fully willing and openly disposed to work positively with the commitment to generate agreements, all this "with the reciprocity this kind of commitment requires and the proportionality that objectiveness imposes on both sides," because the San Miguel dialogue implies "related commitments."

The secretariat stated that as a result of Sunday's meeting, "the parts will not carry out any activity that may harm the dialogue or the negotiations and will not take advantage of deliberate or undeliberate incidents to obstruct or interrupt the negotiations."

The government hopes that no effort will be made "to arbitrarily take advantage" of the enthusiasm generated by the joint declaration and promises that no "delaying tactic" will be used and that the negotiations will take place with a full disposition and with "the authority necessary so the process may be successfully completed with the swiftness demanded by the conditions the Indians, the peasants, and the people of Chiapas in general are enduring."

Secofi To Announce Levying of Compensatory Tariffs

PA1404184895 Mexico City EL FINANCIERO in Spanish 12 Apr 95 p 1

[Report by Jose Luis Gaona and Arturo Gomez]

[FBIS Translated Text] The Commerce and Industrial Development Secretariat [Secofi] will soon announce the levying of compensatory tariffs of up to 100 percent on imports from a dozen countries. The items on which the federal government will levy compensatory quotas are as follows: iron connections, hot rolled metal sheets, cold rolled metal sheets, rolled plates, sheet plates, and bicycle tires.

Secofi sources has reported that the International Trade Practices Unit Alvaro Baillet heads will levy another 10 *antidumping* tariffs on imports within the next few weeks. Today or tomorrow, Secofi will levy other compensatory taxes exceeding 100 percent on bicycle imports from India.

Likewise, the International Trade Practices Unit is expected to publish in the *DIARIO OFICIAL DE LA FEDERACION* the definite *antidumping* tariffs on steel imports entering the country under unfair competition.

The final results of the *antidumping* and antisubsidies investigations into the imports of steel sheet plates and cold rolled metal sheets will be made public on 14 March, and Secofi will make public the results of the investigations into hot rolled metal sheets and rolled plates on 17 and 18 April.

Following the compensatory macro-taxes levied on Chinese made products on 15 April 1992, the *antidumping* and antisubsidies investigations into steel products are the most important investigations the federal government has conducted.

The definite Secofi resolutions will or will not adversely affect, among others, four of five steel exporters from Brazil, Venezuela, the United States, Canada, South Africa, and Germany.

Secofi officials have warned that the possibility of the government not levying compensatory quotas has not been ruled even though certain unfair trading practices could be proven.

This extreme measure could be explained, because the cost of steel products would increase as we levy a compensatory tax.

Brazilian Iron Is Being Investigated

Yesterday, Secofi began an *antidumping* investigation into imports of malleable iron with or without a metallic coating from Brazil upon a request by the company Cifunsa S.A. de C.V., given it has been reported these purchases were made under price discrimination conditions.

During the period January-July 1994, large amounts of malleable iron were imported from Brazil, which, according to Cifunsa, harmed local production, because they were imported at prices below production costs.

In Cifunsa's *antidumping* report, which was published on 11 April in the *DIARIO OFICIAL DE LA FEDERACION*, the company complained that during the that period, the average price of Brazilian imports was 38 percent below national manufacturing costs and 73 and 89 percent below those of the United States and the rest of the countries from where these products are imported.

This reason is why Secofi issued a resolution accepting the request this company made and announcing the beginning of the investigations. According to the Foreign Trade Law, fines equivalent to the amount that will result from, in this case, the definite compensatory quotas paid up to three months before implementation of provisional quotas will be imposed.

The company Cifunsa has stated these imports seriously harmed the national industrial sector, which experienced

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a drastic drop in malleable iron demand, a drop which forced the sector to readjust its production processes in an effort to lower manufacturing costs.

The construction industry and other sectors that use pipes and air, oil, gas, and steam conductors are the main consumers of malleable iron.

Construction sector reports have stated that this product has experienced no shortages and that if it purchased Brazilian malleable iron, it was because of its available supply and better prices, which does mean its entry into the country was under *dumping* conditions.

Secofi granted a 30 business day period, beginning on 11 April, for the parties involved to present their arguments and supplementary evidence aimed at proving alleged unfair trading practices.

Communications Secretary on Privatizations

PA1404154795 Mexico City LA JORNADA in Spanish 11 Apr 95 p 43

[Report by Victor Cardoso—words within italics as published]

[FBIS Translated Text] Communications and Transport Secretary (SCT) Carlos Ruiz Sacristan has said the approval of laws to allow private participation in the railroad and telecommunications sectors would propitiate investments of at least $600 million during this year.

Saying he would send bills on railroads and civil aviation today and a bill on the telecommunications sector by next week at the latest to the Chambers of Senators and Deputies, Ruiz Sacristan has said the government will try to obtain the best possible bids for all concessions, permits, and licenses granted in those three sectors; that is, to obtain the greatest revenues to grant usage rights to individuals.

He has said the payment of those concessions will be differentiated in accordance with the commercial value of each service or investment area. He gave as an example the Mexico-New Laredo railroad route, which is the most profitable in the system and which will also be the most expensive for those interested in it, because it is the most modern route and the one requiring less investment. In contrast, the concession for other routes in the southeastern part of the country will have lower prices.

Ruiz Sacristan has said concessions for the use of the radio-electric spectrum (radio, television, voice transmissions, electronic images, data, electronic mail, etc.) will have a maximum duration of 20 years, the use of public telecommunication networks up to 50 years, and the railroad transportation services also up to 50 years. In all the cases, the concessions can be renewed for a similar period and according to the provisions established by existent laws.

After intense lobbying with legislators, who approved the modifications of Paragraph 4 of Article 28 of the Constitution during the special period of sessions last January, users, providers of services, and related industrial and business gilds managed to reach an agreement to send a proposal to the executive on private investments in those areas that went from being *strategic* to the state to becoming *priority* areas.

Ruiz Sacristan has said the legislative proposal is based on three fundamental points: the promotion of investment in the three sectors, the guarantee of jobs, and the obtainment of the best possible offers for the public coffers.

He has said that the government has no intention whatsoever of selling off any asset cheaply and, quite the contrary, that it will hold meticulously clear-cut bidding processes in all the cases.

Business Interests and Expectations

At the consultative meetings held by the authorities, the SCT head has said, we have been able to determine that local and foreign businessmen have a broad interest in the opening of the telecommunications and railroad sectors. Not mentioning the exact number of firms interested in participating in those areas, Ruiz Sacristan has said "possible investors have a great interest in participating."

As examples, he has said that the *Morelos II* satellite has to be replaced in four years at the latest but that they had already started preparing in order to be able to start construction in 1996, possibly with a broad private participation. The government official has said the corresponding bid processes will be announced next August or in September at the latest. Only the construction of the new satellite will allow investments near $350 million, he said.

Companies interested in providing telephone services "have stated their intention to increase accumulated investments by several hundred million dollars during four or five years."

In addition, he has said, investments in outfitting telecommunications networks, ground stations, and other value-added services will be encouraged. In all cases (space, air, orbital position, and other means of telecommunications), the state's regulating role will be maintained, he has stipulated.

Likewise, the government official has said concession bids pertaining to services such as domestic and international long distance telephone service and cellular telephones will be rescheduled for an earlier date, probably in the next two months, in order for interested companies to be able to set up their respective networks and to adequately equip themselves to begin operating by 1 January 1997.

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Regarding the railroad system, the communications secretary has said a significant number of service operators and companies have expressed interest in investing in the sector. For example, he has said nearly $200 million will be invested in improving the transisthmian route (Coatzacoalcos-Salina Cruz) with the addition of double lanes if the legislative proposal is approved.

Regarding the Civil Aviation Law, which will also be sent to Congress this same week, Ruiz Sacristan has said that it will encourage competition and that the STC will have more authority in the activity and will regulate competition more efficiently. The law, he has said, will be restrictive in no way or deter competition but, rather, is merely intended to regulate and penalize unfair and discriminatory practices.

Regarding the financial problems AEROMEXICO and Mexicana de Aviacion are experiencing, he has said the SCT has been involved in negotiations with the main creditors of these companies in order to implement a financial restructure program, and he has said more details on the arrangements will be disclosed during the next few days. "The idea is to maintain both airlines, to capitalize them, and to have them compete against each other as well as against other airlines operating in the country," the SCT secretary has said.

Bank Launches Program To Restructure Loan Portfolios

PA1404181395 Mexico City LA JORNADA in Spanish 11 Apr 95 p A-16

[Report by Mayela Vazquez]

[FBIS Translated Text] The National Finance Bank [Nafin] has launched its programs of restructuring and reprogramming loan portfolios for its nonbank intermediaries based on the new Nafin rate (TNF), Arsenio Diaz, assistant corporate manager, has reported.

He has said the rescheduling will consist of traditional payments for up to 20 years and payments on value [pagos a valor] at five-year terms, in which interests will be capitalized, depending upon the intermediary and the needs.

Diaz has said that in April the TNF will have a value of 64.16 percent annually and that it was set based on the historical receipts for up to 20 years and at rates between 15-9 percent, with such instruments as Bank Acceptances, Bondis [expansion unknown], and Nafides [expansion unknown].

These programs will be ancillary to the so-called UDI's [investment units], and it is expected they will be announced next week under a plan similar to that of commercial banks.

Nafin will earmark 24.985 billion new pesos in 1995 for credit discount operations, most of which will be part of the portfolios restructuring. This will be done to assist intermediaries already operating with the institution, he has said.

"The problem companies are experiencing is not profitability but, rather, liquidity, the reason why the restructuring operations help consolidate the network of intermediaries and prevent micro and small businesses from going bankrupt, fundamentally from the industrial, commerce, and service sectors in the less developed states," the official has said.

He has said the institution will be more careful in offering assistance due to the lack of resources anticipated this year.

The official concluded that the full-blown restructuring operations also include commercial and service companies.

Chamber Receives Bill on Banking, Securities Commission

PA1404181495 Mexico City LA JORNADA in Spanish 11 Apr 95 p 43

[Report by Ricardo Aleman Aleman and Oscar Camacho]

[FBIS Translated Text] The Chamber of Deputies has received from the executive a bill from the National Banking and Securities Commission establishing the merger of the National Banking Commission and the National Securities Commission, respectively, and seeking to prevent "abuses" and "corruption" by the managers of the financial institutions.

According to the statement justifying the bill, "it is necessary to supervise financial institutions more efficiently so the risks being faced by their control systems and the technical and moral character of their management can be properly assessed."

The new National Banking and Securities Commission establishes a prevention and correction program "that is compulsory for the financial institutions and has a tendency to eliminate irregularities. Such programs would be implemented when the institutions display financial imbalances that can affect their liquidity, solvency, or stability, and, in any case, they can be implemented through agreements with the institutions themselves."

The new commission is authorized "to suspend all or some of the operations of the financial institutions when such a measure becomes necessary due to serious or repeated violations of the laws regulating them or the provisions that derive from them."

In addition, and in keeping with the laws regulating the financial system, the new commission could decree sensible regulations designed to preserve liquidity, solvency, and the stability of intermediaries. Such regulations

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include, among others, those dealing with the risk diversification, capitalization, and the creation of preventive provisions.

According to the bill submitted to the Chamber of Deputies, "certain financial groups have been seriously affected recently by their own management, a finding which has led to state interventions in an attempt to restore their proper operation and, thus, to protect the interests of the public and the financial system as a whole."

The executive argues, however, "the reorganization of such institutions entails unavoidable costs and calls for the government to intensify supervisory efforts and to punish with the full extent of the law those who unduly use the resources of the institutions."

The new National Banking and Securities Commission would be responsible for supervising and regulating, within the area of its responsibilities, financial institutions to guarantee their stability and proper operation, as well as to maintain and promote the sound and balanced growth of the financial system as a whole, protecting the interests of the public.

The functions and powers that make up the purview of the National Banking Commission and the National Securities Commission will be assigned to the new commission "and will include in its scope of functions all the institutions of the financial system. The only exception would be those institutions in the insurance and reinsurance sectors, which, due to their character and specialization, are better off if they are supervised by another organization."

Mauro Gonzalez, a deputy of the Party of the Democratic Revolution, submitted a reform bill on Articles 5 and 58 of the Federal Consumer's Law and Articles 77 and 363 of the Commerce Code. These reforms seek to provide consumers with the instruments to defend themselves against usury and financial exploitation.

Spokesman: No Tax Hikes Contemplated for Time Being

PA1404181795 Mexico City XEW Television Network in Spanish 0430 GMT 13 Apr 95

[From the "24 Hours" newscast—passages within quotations recorded]

[FBIS Translated Text] According to Alejandro Valenzuela, spokesman for the economic adjustment program, no tax hikes are contemplated for the time being, but there will be no extension of the deadline for paying taxes either. Entrepreneurs experiencing difficulties in paying their taxes can request that their cases be considered separately:

[Valenzuela] "There can be no extension of the deadline for paying taxes. Everyone must pay his taxes."

In his weekly news conference, Valenzuela justified an increase in the price of tortillas, saying this increase is the only alternative in preserving the sector's more than 40,000 shops and 155,000 jobs. He has said the Tortilla Solidarity Program will remain in effect. That program makes it possible for more than 2,000,000 low income families to receive 1 kg of tortillas everyday free of charge:

[Valenzuela] "More than 700,000 families will be incorporated into the program this year to help the neediest population. This will make it possible for the price increase not to affect the consumption of the entire population whose income is the equivalent of two minimum salaries."

Regarding the prices' tendency to rise, he has said inflation will start a downward trend in May:

[Valenzuela] "It should be expected that prices would also go down as inflation gradually decreases; nevertheless, inflation will be approximately 42 percent this year, which will entail a price increase average of 42 percent."

He has also said that more than $471 million in Tesobonos [Treasury Bonds] were amortized this week and that those still in the hands of the public amount to $15.513 billion. The amortization represents a reduction of nearly 47 percent of the balance in December last year.

Repatriated Capital To Be Taxed Up to 20 Percent

PA1504130895 Mexico City XEW Television Network in Spanish 0430 GMT 15 Apr 95

[From the "24 Hours" newscast]

[FBIS Translated Text] The measure has not been fully explained but has prompted the most diverse reaction since the information was released. Those who want to return their capital to Mexico will have to pay up to 20 percent in taxes.

The recent tax modifications have come to change the rules of the capital repatriation game, because the government has established a 20 percent tax on foreign exchange profits made by those who decide to return to Mexico the dollars they took prior to the devaluation. Alejandro Valenzuela, the economic adjustment program spokesman, said this week it is a fiscal equity measure:

[Begin Valenzuela recording] We want to prevent people who took their capital abroad last year from having a very big foreign exchange profit when they decide to bring it back. The treasury has to obtain revenues from this foreign exchange profit somehow, because if not it would be very easy for all those people to return their capital and obtain a speculative profit. [end recording]

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Alejandro Valenzuela admitted it is very difficult to determine the origin of money brought into Mexico but said they will try to stop the entry of money to be laundered:

[Begin Valenzuela recording] We want to investigate those operations that seem to be or show indications of criminal activities. [end recording]

Previously and through the so-called fiscal stamp established in 1990, the tax applied to repatriated money was 1 percent over the total amount of the capital. In contrast, the new 20 percent tax will be on the foreign exchange profit; that is, if a person took $1 million abroad last year and returns them to the country now, converted to pesos based on the new exchange rate, he will almost double his resources. The 20 percent tax will be applied to the amount he would gain from this transaction.

The new tax measures have prompted divided opinions. There are those who believe the return of capital will be discouraged by eliminating the benefits of anonymity and with the establishment of this new tax, but there are those who maintain that the measure is equitable and will allow fiscal revenues to increase.

Private Sector Urges Encouragement of Capital Repatriation

PA1504044995 Mexico City REFORMA in Spanish 12 Apr 95 p 475

[Report by Martha Trejo]

[FBIS Translated Text] The Mexican Institute of Financial Executives (IMEF), the Mexican Tax Management Institute (IMAT), and tax specialists agree that the new fiscal provisions that seek to eliminate the right of anonymity granted to all Mexican citizens seeking to repatriate their capital and at the same time to tax these funds are entirely contrary to what Mexico needs at this time.

IMEF President Salvador Almeida called for the total elimination of the tax applied to repatriated capital, which, prior to the new tax reforms, was 1 percent of the total capital, even if only a portion of the total capital is repatriated. The new fiscal provisions establish the tax at 0.72 percent.

He stated that "those Mexicans who have funds deposited overseas should be allowed to freely transfer these funds, by eliminating all taxes so that they can return those assets to Mexico and contribute to promote internal savings, which we need so much."

Almeida indicated that taxes of this nature should be eliminated because if the intention sought is to curb money laundering, there are currently countless treaties between Mexico, the United States, and other nations preventing double taxation. These treaties allow the exchange of all sorts of information, not only those related to fiscal issues.

"Now is the time to eliminate taxes, and simplify things; we must be flexible. I see no reason why we should implement taxes when we are in need of capital, and we should encourage its return," the IMEF president indicated.

He recalled that the so-called fiscal stamp, at the right moment, was of great benefit since it guaranteed anonymity, and through its use it was possible to repatriate funds.

IMAT President Eduardo Solis called for the lowering of the tax to 0.5 percent in order to encourage capital repatriation to Mexico in view of the fact that revenue from this tax was quite low during the first quarter of the year.

He added that the privacy of those Mexicans who decide to repatriate their capital must be preserved on account of this right, along with banking secrecy, being the prerogatives of all free nations.

"As long as privacy is disregarded, confidence in the banking system, and the capitalist system will also be lost," Solis asserted.

Lourdes Dib Alvarez, a tax lawyer, professor at the University of the Americas and Puebla Law School, criticized the fact that Mexico grants all sorts of encouragements to speculative investments while productive investments have to face all sort of obstacles that are difficult to overcome.

The tax specialist commented that "that sort of policy only serves to curb investments. They should eliminate all restrictions so that funds can return, and repatriation should be encouraged by means of a minimum and symbolic tax. The current situation only serves to result in less and less repatriation."

Alberto Tiburcio, president of the Mexican Institute of Public Accountants declined to make any comments with respect to the new guidelines because this association is currently carrying out an assessment of the impact of the fiscal measures.

Manufacturers Association on Allocation of Public Spending

PA1404193695 Mexico City NOTIMEX in Spanish 1842 GMT 13 Apr 95

[FBIS Translated Text] Mexico City, 13 Apr (NOTIMEX)—Today, Mexico's National Association of Manufacturers (Canacintra) urged that public spending be allocated to economic sectors that could enable the rapid development of the country's industrial and agricultural activities.

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The industrial organization deemed it necessary to review and revise the structure of public spending so as to free resources that could be used to promote growth and sustained development, as well as to eliminate unnecessary expenditures.

According to Canacintra, public resources should be channeled into the generation of infrastructure in land, air, and sea communications. This channeling will generate a significant number of jobs and will shape up the productive structure so as to achieve the necessary productivity and competitiveness in the current scheme of economic globalization.

Canacintra also proposed to exercise greater honesty and equity in public bids, and it recommended that the regulations concerning the Law of Purchases and Public Works be published and disseminated promptly to achieve this goal.

Initially, the public sector bids should be opened to national companies, and the following step should be, if they do not meet the requirements, to call foreign companies to offer their bids.

According to Canacintra, the economic aspect in terms of jobs and productive activity of the national and international bidding companies should be considered among the criteria used to award the bid.

The businessmen and the public sector should also agree on the appropriate payment mechanisms and periodically assess their fulfillment to prevent liquidity problems in the supplying companies.

It is also convenient to review the mechanism of the "turnkey" projects to differentiate production and quality aspects from those linked to financing. Canacintra stated it is indispensable to design a purchasing policy at the federal, state, and municipal level and to set up the necessary legal mechanisms to transfer current federal purchases to the state and municipal levels.

300,000 Jobs Said Lost During First Quarter

PA1404181695 Mexico City EL FINANCIERO in Spanish 12 Apr 95 p 18

[Report by Leticia Rodriguez]

[FBIS Translated Text] Approximately 300,000 jobs were lost during the first quarter of 1995, and between 6-20 percent of enterprises closed down due to the country's financial crisis, in which the construction industry is one of the most seriously affected.

In a report on the effects of the crisis during the first quarter, Victor Manuel Diaz Romero, president of the Confederation of Industrial Chambers [Concamin] has said this period "has been very rough." The unemployment rate increased, the country required more savings deposits, and the market dropped.

The 12 percent increase authorized for minimum salaries, effective on 1 April, will be "momentarily" superseded by the value-added tax increases and certain public services, including electricity. "All of society has been sacrificed, but we are working to recover this capability;" that is, the people's purchasing power.

Regarding the unemployment rate, Diaz Romero has said "the most serious stage is already over" because, after the initial shock of the adjustment, a number of strategies will be established in the production system. "Entrepreneurs are not tied hand and foot" but are prepared to battle their way forward, he has said.

It has been said that between 500,000-700,000 jobs could be wiped out in 1995. "I do not believe the situation will reach this extreme," because many people abroad are interested in investing in Mexico, and capital is already flowing into the country.

Regarding the closure of industries, Diaz Romero has said in extreme cases the total number will not exceed 10 percent throughout 1995, particularly small-scale and mini-enterprises, which were hit the hardest.

In view of this outlook, he has expressed confidence that the situation can improve by the second quarter of 1995 because of the application of instruments to stimulate savings and investment which the government will seek to implement and which would make a substantial contribution to the country's economy.

Diaz Romero said during an interview the industrialists expect investment to be encouraged, the 2 percent tax on the assets of enterprises to be eliminated, and fiscal assistance for the creation of jobs, as well as for training and reinvestment, to be provided as part of the tax system reform President Ernesto Zedillo announced several days ago.

He has ruled out the possibility of a social outbreak because of the difficult economic situation at present and the people's dissatisfaction.

Regarding the price increase escalation observed in the local market, he has said certain enterprises have lowered their prices significantly, otherwise, they would not sell, because the purchasing power is too low.

In addition, competition has intensified, and entrepreneurs must prepare to participate in the market more boldly if they want to keep growing.

Although investment units will help provide liquidity for enterprises, the program is not good enough, because it requires fresh capital and the encouragement of savings and investment, which have been missing.

A hopeful break is expected during the second quarter of 1995. "The country and the industrial system can grow by instrumenting programs to stimulate savings and investment." The price of money is also expected to become lower. In fact, a trend in this direction can already be observed.

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He has said the closure of industries fluctuated between 6-20 percent in the January-March quarter although "it is difficult to be certain of this percent, because it depends on the sector."

Interest Rates Decline in 1st Trimester

PA1504164595 Mexico City EL FINANCIERO (ANALISIS Supplement) 12 Apr 95 p A-3

[Report by Victor Felipe Piz]

[FBIS Translated Text] The yield for national interest rates was minus 4.24 percent in real value during the first trimester of 1995, the lowest since the November 1991-January 1992 period when interest rates yielded negative profits of 9.8 percent per year.

The decline of real premiums, measured by the gains of the 28-day maturity of the Federal Treasury Certificates (Cetes), demonstrates the impact caused by the devaluation of the peso and the implementation of the economic program, which by one blow reduced the interest rate profits.

According to an evaluation made by EL FINANCIERO's economic analysts based on Bank of Mexico (Banxico) data, internal yields the last three years had the task of preventing the flight of foreign investments from the currency market, a sector which captured one-third of the savings deposits made in the country.

In fact, with inflation having been eliminated, the Cetes yielded 7.62 percent in 1994, the best real premium of the four previous years.

Interest rates reached historically low yields, nominally 8.81 percent, in the last week of February of last year, but the government was forced in less than two months to double interest rates, to prevent the flight of foreign capital due to the pressure generated by the first of seven increases in U.S. short-term interest rate yields, and the assassination of the PRI [Institutional Revolutionary Party] presidential candidate.

These factors allowed the interest rates to remain higher than the increase in consumer prices, whose accumulated change was only 7.05 percent, the lowest since 1972, thanks to the discipline regarding inflation, which prevailed throughout almost the entire year.

The exchange rate adjustments that occurred in December, however, altered the country's financial and monetary health. In March, exchange rates reached their highest level in seven years—82.65 percent. In January, inflation rates climbed to their peak level reached in 1990, to the 1988 level in February, and to the 1987 level in March.

Yields rose to reduce currency exchange speculation, to motivate foreign investments, and to promote savings in pesos. Meanwhile, prices increased, primarily as a result of a revision of public sector rates, an increase in transportation rates, and an increase in gasoline prices.

These events yielded a minus 6.84 percent interest rate in January 1995, the first negative annual rate since March 1992. The yield fell to minus 11.04 percent in February and improved to 1.20 percent in March.

Mixed Changes in the Auctioning of Cetes

On other issues, the Cetes nominal premiums indicated mixed changes during this week's first auction, which was moved forward because of Holy Week.

The 29-day Cetes increased two points to 76.50 percent per year, and the 15-day Cetes advanced barely 0.19 percent to 78.40 percent per year.

In contrast, 92-day maturity government bonds fell one point and will offer a 73 percent interest rate starting this Wednesday.

Analysts consulted by EL FINANCIERO have assured that even though the leading bond rose as a result of a lower primary demand for it, the authorities have accepted the increase; thus, the bond's yield would be higher than the inflation rate, which would allow the attracting of foreign capital and encourage saving among Mexicans.

The demand for bonds totaled 5.82 billion new pesos, a 26.9 percent drop with regard to the amount previously required. Thus, the specialists believe the conspicuous presence of fewer investors in the currency market was due to the Easter weekend vacations.

Despite that point, the institution that emitted the bonds placed 2.6 billion new pesos in Cetes during the first auction without any difficulties.

Meanwhile, the 28-day interbank interest rates also indicated a mixed behavior. While the TIIP [average interbank interest rate] lost 0.0568 percentage points to settle at 88.7992 percent, the TIIE [inter-bank equilibrium interest rate] increased 0.0944 percentage points and was fixed at 88.6944 percent.

As in the Cetes auction, the Federal Government Development Bonds (Bondes) auction experienced a drop in purchasing demand, which was 38.7 percent. Results of the auction ascended to 4.83 billion new pesos.

The demand for Bondes was more than enough for Banxico to once again place the 1.3 billion new pesos that it called to auction in equal parts for 365- and 729-day maturity bonds.

The direct surcharges experienced marginal changes. The one-year surcharges went from 4.12 to 4.11 percent, and the two-year surcharge increased from 4.29 to 4.30 percent.

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Belize

Cuban Refugees Denied Asylum; Media Denied Contact

FL1404220095 Bridgetown CANA in English 1945 GMT 14 Apr 95

[FBIS Transcribed Text] Belize City, Belize, April 14, CANA—Sixteen Cuban boat people who docked in Belize City last month from the Cayman Islands have been denied political asylum by the Belize Government. Immigration Minister Phillip Goldson upheld the decision handed down by the Belize Eligibility Committee to reject the application by the Cubans to settle in Belize on grounds of political persecution in the socialist Caribbean island. The Cubans had appealed to Minister Goldson, hoping to have the Eligibility Committee's decision overturned.

According to Minister Goldson, the Cubans did not qualify for refugee status but were attracted to Belize for economic reasons. On Monday, Prime Minister Manuel Esquivel at a press conference in Belmopan said that Belize did not want to open the flood gates to Cuban refugees who are leaving the Cayman Islands.

The 16 Cuban boat people are being kept at the BDF's Camp Belizario in western Belize. The Belize media has been prohibited from speaking to any of the asylum seekers and so far, the details of their repatriation are not known.

El Salvador

Investigation of Drug Operations, Part I

PA1304201195 San Salvador EL DIARIO DE HOY in Spanish 11 Apr pp 2, 3

[Part I of a two-part report on an investigation conducted by EL DIARIO DE HOY and Colombian journalists]

[FBIS Translated Text] When a Salvadoran drug squad seized nearly six tons of cocaine in a central San Salvador warehouse in June 1993—the largest ever seized in the country—telephones in a faraway Miami building started to ring insistently.

"We knew," a DEA agent exclaimed. He answered the phone while settling down into a chair in a discreet office from which the fight against Latin American drug traffickers is directed.

The seizure of this large quantity of cocaine confirmed something that so far had been only a rumor on the lips of well-paid informers. El Salvador had become an important meeting point for two of the world's most bloodthirsty drug cartels.

Evidence of this, albeit poorly handled by the Salvadoran police, emerged with the first arrests related to this case.

At nearly midnight on 10 June 1993 (the day the cocaine shipment was found and seized at the San Jorge warehouse, located on an extension of the Juan Pablo Segundo Avenue), Colombian citizen Luis Fernando Farfan and Mexican citizen Jorge Carrasco Martinez were taken away handcuffed from the Camino Real Hotel by a large group of antinarcotics policemen.

The two men's presence in the hotel was not just happenstance. The Sinaloa and Cali Cartels had decided to meet here to boost cocaine trafficking from Colombia to San Salvador. From here, they would re-export the drug to Mexico and thence to the huge market of U.S. consumers.

The blow that the two cartels were dealt at the San Jorge warehouse did not mean that the first attempt to use Salvadoran territory for this purpose had been defeated. During the two previous years, the cartels had been using El Salvador to do business. And they still do.

Now we know that at least 15 tons of cocaine transited Salvadoran territory from 1991 to 1993, according to confidential reports by Colombian authorities to which EL DIARIO DE HOY has had access. The alliance began to operate long before it was uncovered. Even so, this deadly enterprise continued from El Salvador.

Farfan: A Key Figure

Farfan, an agronomist born in Santa Fe de Bogota on 30 November 1961, is not just some nobody in the Cali Cartel's hierarchy.

He was held in El Salvador's Santa Ana prison for 20 months. but was released a few days ago following a resolution issued by the Second Criminal Court. The magistrates had reviwed several mistakes made by the drug authorities, who failed in properly conducting the investigation to link Farfan to the San Jorge warehouse's huge cocaine seizure.

U.S. authorities had been watching Farfan closely for a long time. According to the investigation in Colombia, Farfan was in El Salvador because for a long time he had worked closely with brothers Gilberto and Miguel Angel Rodriguez Orejuela, two of the Cali Cartel's chief capos.

There was no doubt that Farfan was a trusted man in the organization. He had been entrusted to personally manage the Central American trafficking and relations with Joaquin Guzman Lopera, a.k.a. Chapo Guzman, leader of the Sinaloa Cartel, a man wanted on several continents for all kinds of corruption, bloodshed, and crime.

Farfan also has special power within the Cali organization. He is close to Jesus Sarria, a former Colombian narcotics agent who has recently begun on the rise in Colombia as one of the new and most important capos in Cali. The "Brujo de Antieto," as he is called by Sarria, is emerging as a new and preeminent boss in the Cali Cartel within the group's restructuring since the death of Pablo

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Escobar and the recent capture of Gilberto Rodriguez Orejuela by Colombian authorities.

"Farfan, who is very close to the Rodriguez Orejuelas and Sarria, is undoubtedly an important person within the organization. Perhaps many people were not aware who they had in hand in El Salvador," EL DIARIO DE HOY was told in Colombia.

Colombian authorities believe Farfan is responsible for introducing more than 15 tons of cocaine into Central America through El Salvador and Guatemala before his arrest in San Salvador. Farfan was entrusted with a $600 million portfolio.

When he was arrested in a hotel in El Salvador, all the objects that would expose him as a regional executive of a drug cartel were seized in his room: Salvadoran colones, quetzals, 4,900 Colombian pesos, $6,900, a gold Gucci watch, a gold chain, a bracelet, a ring, five airline tickets for different Central American destinations, a bill from a Cancun hotel, and air navigation charts giving the location of various airports in El Salvador and Guatemala.

"I was only in El Salvador because I wanted to visit some Mayan ruins and buy some handicrafts. I wanted to do the same in some other Central American countries," Farfan told the authorities during one of his first interrogations.

It is known that to meet his obligation to traffic cocaine in El Salvador and other Central American countries he recruited at least two Salavadoran pilots as part of an effort to establish a group of Central American pilots. These men had already done a number of jobs for Farfan.

Other evidence was found which revealed that Farfan and his accomplices had long ago established contacts with Salvadoran export organizations and businessmen in that country to try to establish a business scheme that would allow them to disguise the trafficking of cocaine toward Mexico to avoid suspicion.

Disguised as Businesses

Investigations in Colombia reveal that Farfan, his Cali Cartel bosses and his partners, the Mexicans of Sinaloa, used a number of paths to ship huge quantities of cocaine to El Salvador and other locations in Central America.

To transport the drug from Colombia to El Salvador, they used Colombian pilots and airplanes that made several night flights to little-used air strips.

Once the drug was here, they contracted with Salvadoran pilots and pilots of other Central American nationalities to carry the drug closer to the border between Mexico and the United States. The pilots were paid juicy fees for those services.

There is also evidence that Farfan and his partners wanted to establish a number of "export firms" in El Salvador to increase the level of cocaine shipments to Mexico, accompanied by some local products. It was a good way to disguise the real content of their "foreign sales."

Salvadoran authorities also found Farfan had a directory of the members of Coexport [Corporation of Exporters of El Salvador], a folder with details on construction firms (many drug traffickers invest in the construction business to hide their profits and statistics on Salvadoran exports to Mexico).

The country which most interested Farfan was Mexico. Drugs moved through El Salvador had to be sent to Mexico. Once in Mexico, Chapo Guzman's men would take charge of getting the cocaine into the United States.

That is why it was not surprising to find, among his documents, a list of Salvadoran exporters of molasses and other products to Mexico. It is thought that they have been using fake Salvadoran export manifests as Trojan horses to introduce an enormous amount of drugs into Mexico since 1991.

Farfan—now out of jail—arrived in El Salvador on 8 June 1993. Before that he had been in the country on several occasions, most likely entering on fake identity documents. For his last visit before being arrested, he used Colombian passport AD 156639. At the hotel, he made two local telephone calls charged to his American Express card no. 3726967742. These calls were made just before he and Carrasco were taken out through the hotel basement to jail where they were questioned behind bars.

The drug barons' representative—son of a Colombian Air Force Colonel Jaime Armando Farfan and Rubi Munoz, a Cali socialite—is backed by an impressive group of high connections with the Colombian mafia which Salvadoran judicial authorities may not have altogether understood. A few hours after being released, he quickly left the country on a commercial flight.

One Strategy, One Operation

The case of the drugs confiscated in the San Jorge warehouse also revealed that the entire organization of the operation to transship the six tons of cocaine was the sole responsibility of Mexican nationals believed to be linked to the Sinaloa Cartel.

According to local investigations, initial steps to store the drugs at the San Jorge warehouse, were overseen by Mexican national Juan Manuel Penilla, who lived in El Salvador before June 1993, when the seizure was made.

Penilla is the only one still in prison awaiting trial, under a ruling by magistrates of the Second Penal Court.

The warehouse where the drugs had been stored for some time was leased on 1 April 1992 for 25,000 colones a month. The owners of the warehouse were told that it would be used to store grain.

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It was also Penilla who made the mistake of hiring Antonio Granados Turcios, a former UEA [Executive Antinarcotics Unit] agent, who concealed his real occupation, to protect the warehouse.

Padilla decided to hire Granados after meeting with him on two occasions: first at the Metrosur ranch; second at Biggies, located on Los Heroes boulevard. Granados was offered a monthly salary of 3,000 colones.

Granados—working as an undercover agent—began working at the warehouse on 2 April. According to Penilla's own statements, about 20 days later, he went to visit the warehouse (prior to storing the drugs) with two Mexicans. At the time he may have said to Granados: "I would like to introduce Chapo Guzman, my boss," and a heavyset man extended his hand to Granados.

Salvadoran authorities have no doubt that the head of the Sinaloa Cartel had arrived to personally inspect all plans being implemented in the country. The presence of Farfan and Guzman in El Salvador was evidence of both cartels' interests in the operation being handled from the country.

Guzman was even photographed with some men and women at the Plaza El Trovador. While there he took time to sing mariachi songs, drink beer and whiskey, and stay until the early morning hours when he returned to El Presidente Hotel where he had registered on 19 April 1993.

Before the six tons of cocaine arrived in El Salvador, Penilla was very active.

On 12 April he visited the San Jorge warehouse with Chapo Guzman. The next day they visited El Tamarindo beach where they inspected the landing strip.

On 4 May, around midnight, a Colombian aircraft landed at an airstrip in El Tamarindo, in La Union. Once landed, 150 cardboard boxes and 15 nylon sacks loaded with cocaine were unloaded from the aircraft and packed into an eight ton, Japanese-made Hino truck that had been parked at Penillo's house.

When Jose Efrain Bautista, a 28-year-old fisherman, walked toward the landing strip intrigued by the engines of the powerful aircraft and curious to see an aircraft landing near midnight, a man armed with a submachinegun cut him off, and asked in Mexican-accented Spanish: "Hey, where are you going? Just turn around; we don't want anyone around here!"

The alliance between the two cartels had been sealed for some time. El Salvador had become a meeting point.

Tomorrow: the Cali Cartel's tentacles

Part II of Report

PA1504014195 San Salvador EL DIARIO DE HOY in Spanish 12 Apr 95 pp 2, 3

[Part 2 of a two-part report on an investigation conducted by EL DIARIO DE HOY and Colombian journalists]

[FBIS Translated Text] Testimonies by drug traffickers known in Colombia reveal that the Cali Cartel, in its plans, is aiming at strengthening its role in El Salvador and Guatemala. These new dynamics are attributed to Jose Sarria, an enigmatic Colombian character who has rapidly become one of the main leaders of this organization. It is suspected that Sarria bribed prominent Colombian political personalities. This possibility is being investigated in that country. Paradoxically, the first reports on the new starring role by Sarria, who is known as "El Brujo de Antero," that international authorities became aware of, came from El Salvador. This report is the second part of an investigation EL DIARIO DE HOY conducted with Colombian reporters.

The forming of new high-level management teams that will settle in El Salvador and Guatemala to manage the cocaine business with enough money to bribe anyone and the creation of a new and strong clandestine airline that will fly between Central America and Colombia to swamp the area with drugs are some of the plans the Cali Cartel wants to implement here in the shortest term possible.

Secret interrogations of Colombian drug traffickers and accusations that authorities in that country have uttered and that were leaked to DIARIO DE HOY reporters revealed not only those two plans but also that these projects would represent an extension of the long tentacles certain cocaine barons have grown in El Salvador in less than four years.

This country is not alien to the Cali Cartel. The map of El Salvador in the last few years has been on top of the desks of the main drug lords, especially now that, as the fight against illegal transshipments dwindles, they need to increase their operations in places halfway between Colombia and the United States, where the most drug consumers live.

The presence here of Luis Fernando Farfan, who is a Colombian drug trafficker recently released by mistake by the police and who turned out to be one of the main executives of the Cali Cartel, is but one small proof that this group indeed has interests in El Salvador.

Shortly before Farfan fell and before he was linked to the seizure of approximately six tons of cocaine at a San Salvador warehouse, local authorities, whom the U.S. DEA supported and encouraged, were able to take a coca shipment worth $120 million away from the Cali Cartel men in April 1993. This shipment clandestinely arrived in La Libertad port on board a plane that had a Colombian registration number.

Not long before this incident occurred, Eduardo Gonzalez, a Colombian residing in Guatemala, arrived in El Salvador. He was in charge of supervising the arrival of the shipment and of shipping it to Mexico and the United States on behalf of the Cali Cartel.

Valerio Sinai helped Gonzalez carry out the task. Sinai is another Colombian who belongs to the high-level executive "staff" that the Rodriguez Orejuela brothers and

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Jose Santacruz Londono, who are three of the main Cali Cartel leaders, kept in Guatemala until at least a year ago.

The drug was seized because the DEA infiltrated an undercover agent into the Cali Cartel's Guatemalan ring. As Gonzalez and Sinai failed and as the $120 million were lost in La Libertad, the Cali Cartel then decided to dispatch one of its most important executives (Farfan) to supervise a new operation consisting of approximately six tons of cocaine, an operation that also failed when the drug was seized at the San Jorge warehouse in June 1993.

The new shipment was not only quantitatively important for Cali. It also represented part of the new plans that the "leaders" had agreed upon with the leader of the Sinaloa Cartel, Joaquin Guzman, alias "El Chapo."

The new failure blocked for some time relations between the two cartels because the logistics with which the Mexicans had been tasked had failed. The Mexicans were stupid enough to let themselves be deceived by national authorities who, guided by the DEA, managed to place another undercover agent as a watchman of the San Jorge warehouse.

Guzman's men reacted, as it is now known in Colombia, arguing that the problem did not result from logistical failures but from the fact that the DEA began to obtain information on Cali before their very noses, even before the shipment was sent.

Why El Salvador?

The decision to send to El Salvador, shortly after the first shipment was frustrated, an even larger shipment that put Farfan and two Mexicans in jail, would lead to the events that occurred in mid-1993.

It would have been best if the nearly six tons of cocaine seized at San Jorge warehouse, whose final destination was the U.S. market, went directly to Mexico.

Nevertheless, Farfan (in charge of all operations on behalf of the Cali Cartel) decided, together with "El Chapo" Guzman, the highest chief of Sinaloa, to first transport the cargo to El Salvador because conditions in Mexico were not right.

Shortly before June 1993, they shot and killed Guadalajara Cardinal Juan de Jesus Posadas Ocampo. The crime was blamed on Guzman's men (this is still under investigation). The raids by Mexican authorities, supported by the public, endangered the cargo, as it was determined at that time.

They later thought of Guatemala (a map of runways of that country was confiscated from Farfan and the other Mexicans). However, at that time, the Guatemalan Army had increased its operations against the guerrillas, which also endangered the arrival of the cocaine.

In light of this, they chose El Salvador. But it was not accidental. The Cali Cartel has many men here working for them since the early 1990's, according to reports in Colombia.

These men, including several Salvadorans, have been responsible for trafficking large amounts of cocaine in the last four years.

There is no country in Central America where the Cali Cartel does not have its own "staff" [preceding word in English] of executives working for that organization. The region has become an important passageway for the cartel's activities. If a country hardens its controls, they rapidly alert their men to transfer the operations elsewhere. Creativity is part of the survival of drug trafficking.

What is happening is that due to events discovered recently by Colombian authorities, it is now known that, despite the blows taken in 1993, El Salvador is again emerging as a country of "interest" for their activities.

"It is likely," a high-ranking Colombian source has said, "that they have already reorganized the 'staff' and that, at this time, other important people have been added to their trusted men."

Jesus Sarria or "El Brujo de Antero," a Colombian national who was a member of the Colombian police force and who owns several hotels in that country and horse-breeding businesses and ranches, has allegedly been behind many of the changes experienced in El Salvador and in Guatemala (a country where drug trafficking has very deep roots).

Sarria moves in the high echelons of the Colombian congress, where he acts as a public relations person for the Cali Cartel. Luis Fernando Farfan worked for Sarria and was the alleged owner of the shipment seized at the San Jorge warehouse.

"El Brujo" is one of the drug traffickers who has gained great prominence within the Cali Cartel and his power has been compared to that of brothers Gilberto and Miguel Angel Rodriguez Orejuela. The Rodriguez Orejuela brothers, along with Jose Santacruz Londono, are the founders of that organization.

Sarria is currently a truly new and enigmatic figure within that organization. His rise to the top of the Cali Cartel has come as a true surprise to Colombian authorities and journalists.

Farfan was one of the first persons to tell the authorities about Sarria. He did this in El Salvador when he was arrested, according to a confidential report to which EL DIARIO DE HOY had access.

Without admitting that he worked for him, Farfan, a 32-year-old Colombian whose father was a colonel for the Colombian Air Force, said he knew Sarria as one of the top leaders of the Cali Cartel.

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He even told the local authorities that Sarria owns two mansions near Cali known as "Tokota" and "Ciudad Jardin" and a third one in Santa Fe de Bogota known as "Santa Ana." This revelation could jeopardize his future relations with Cali and even his life.

Farfan mentioned that Sarria's head of security is known as "Jimmy," and he too is Colombian and also a former officer of the Colombian Narcotics Police.

It is even presumed that "Jimmy" travels with a Salvadoran passport, and this circumstance is being investigated.

Farfan, who was arrested here in June 1993 and released by a decision of the Second Criminal Chamber a few days ago, explained that he helped "Jimmy" bring a Bolivian MC-K3 airplane into the country. They registered the aircraft as HK-3763. The aircraft left Colombia registered under the name of Alvaro Enriquez Lopez Luna, who is presumably one of Sarria's right-hand men.

Farfan helped to introduce and register other aircraft in Colombia, probably with the knowledge of his father, a high-ranking officer of the Colombian Air Force.

Juan Manuel Posada, a very renowned man in Cali's social circles who is known as "JM," brought Farfan into contact with the Cali Cartel. Farfan was even a witness in several negotiations Posada conducted with different drug traffickers.

"JM" planned, at least in 1993, to establish an airline to make express flights to transport cocaine between Central America and Colombia.

It has been learned in Colombia that he is trying to fulfill those plans and El Salvador would not be left out of the aircraft's itinerary.

Juan Manuel Posada owns a Colombian airline called AVECSA, which transports merchandise to the interior of that country and possibly to many other areas.

Guatemala

De Leon Condemns Possible Plot Against Harbury

PA1604182695 Mexico City NOTIMEX in Spanish 1652 GMT 16 Apr 95

[FBIS Translated Text] Guatemala City, 16 Apr (NOTIMEX)—Guatemalan President Ramiro De Leon Carpio condemned here today a possible attack against Jennifer Harbury, wife of the late guerrilla commander Efrain Bamaca.

"Regardless of its origin, I condemn any attack being planned against Mrs. Harbury," the president said, according to a press communique issued this Sunday by the Presidential Press Office.

The condemnation came in the wake of press reports from the United States this weekend that the U.S. State Department had uncovered a plot against the lawyer.

"If evidence is found of a possible attack, the guilty parties will be punished, regardless of the origin or sector of those implicated," De Leon stated.

The possible attack against the wife of the late rebel could stem from the "displeasure" of Guatemalan groups at Mrs. Harbury's insistence on clarifying the death of the guerrilla leader, who was also known as Commander Everardo.

U.S. authorities recently confirmed to Harbury that Bamaca died in 1992 in a clash between the military and the Army [as received]. The lawyer then announced she would arrive in Guatemala in the next few days for the "exhumation" of the rebel's remains.

"Mrs. Harbury should not fear any reprisal from my government, in the United States or in Guatemala, in the event she returns to this country," the presidential communique stated.

The Guatemalan Government and Army on previous occasions had assured Harbury that Bamaca had died in a clash, but rebel sources told the lawyer Commander Everardo was captured alive by the military.

Harbury hoped her husband was alive, but according to Democratic Representative Robert Torricelli, the Central Intelligence Agency (CIA) ordered Colonel Roberto Alpirez to kill the guerrilla.

The Guatemalan Army has denied this report, and the CIA in Guatemala has done likewise. In any event, Harbury's hopes of seeing her husband alive have been dashed.

Nicaragua

Army General Comments on La Maranosa Incident

PA1404164895 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 11 Apr 95

[From the "National Newscast"]

[FBIS Translated Text] The Army will respect and abide by the ruling of the Judicial Branch, whether in the La Maranosa case or in the dispute between the Legislative and Executive Branches. The Army has disagreed, however, with the ill-timed pronouncements given by Jinotega judicial authorities in connection with the La Maranosa incident:

[Begin recording] [Major General Javier Carrion, joint chief of staff] We are not pleased nor can we accept that fellow officers and soldiers who were, unfortunately, involved in the La Maranosa incident, which some have used for other purposes, are being labeled as criminals before the Judicial Branch and that the Jinotega courts

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have handed down a ruling. Nor do we agree with remarks by officials of the human rights groups who have hastily labeled the accused soldiers and the military command as criminals, because they, quote, are covering up, unquote, the mass murders.

[Unidentified reporter] The National Assembly Human Rights Committee is also handling the matter. The Assembly is another state branch.

[Carrion] The Human Rights Committee had the duty and power to conduct its inquiry. I understand the inquiry was to be submitted to the prosecutor general. What Commander in Chief General Joaquin Cuadra has said was that we were surprised by the long time the report was withheld, given the file was practically finished. The Judicial Branch was awaiting that data to start the trial here in Jinotega Department. What we are saying is that an accusation cannot be presented before the trial begins, as the Military Code states.

[Reporter] [Words indistinct] the trial's outcome?

[Carrion] If, of course, they have provided all the proof and supported our officers and soldiers who were involved in the fighting in La Maranosa, we will accept it, just as we will.... [pauses] this problem between the Executive and Legislative Branches that is taking the country to a dead-end street. We have to accept the Judicial Branch ruling on this problem. [end recording]

Panama

ARI President Cited on Decontamination of U.S. Bases

PA1604223195 Panama City ACAN in Spanish 1514 GMT 16 Apr 95

[FBIS Translated Text] Panama City, 15 Apr (ACAN-EFE)—Contamination at the U.S. military bases is the largest problem Panama faces less than five years before the country takes over control of the Canal and the thousands of hectares surrounding it.

Carlos Mendoza, president of the Interoceanic Region Authority [ARI], the agency charged with managing the areas to revert from U.S. jurisdiction, has told ACAN-EFE that reducing deterioration is the main challenge to be dealt with before turning the bases, with their thousands of buildings and green areas, into the country's primary development centers.

"The problem is as serious as that of pollution in the Bay of Panama," on the Pacific coast. Removing pollution at the bases would cost the Panamanian Government hundreds of millions of dollars according to an estimate presented to the Inter-American Development Bank.

Since the 1940's, the United States has operated 134 defense and training sites, covering approximately 34,000 hectares, nearly 17,000 of which are firing ranges according to the ARI.

According to an ARI study, the presence of unexploded ammunition at the firing ranges, either on the surface or underground, and the pollution resulting from normal operations are the most serious problems to be solved before the Panamanian Government accepts the bases. "Panama cannot accept the removal of pollution from the bases being regarded as just any other requirement." If this pollution is not eliminated, the bases' use for other purposes would be "seriously restricted," states the study, conducted by Fernando Manfredo, the first Panamanian Canal administrator.

To give an idea of how much this decontaminating operation would cost, Manfredo has quoted a California government report stating that approximately $2.5 billion would be required to decontaminate the state's 22 military bases.

Decontamination is an essential requirement for using the bases for other purposes according to Manfredo's study. He has said the Californian bases are similar to the Panamanian bases regarding the length of time in operation and size.

Firing ranges are difficult to decontaminate, because no appropriate technology exists. The problem is even more serious, because locating and removing ammunition from the surface and underground require entering those areas and removing vegetation, an operation that would cause an ecological disaster of major proportions.

Dangerous garbage at military installations includes paint, solvents, oil, and fuel, among others, which have been spilled in the area rivers that flow into the Canal, causing a pollution "that can harm people and damage the environment."

Mendoza has said one of his most important duties will be to ensure that the bases are reverted after they have been freed of military debris, as well as explosives, hydrocarbons, and other toxic matter.

If the bases are not decontaminated, future industrial, commercial, educational, residential, and development investment projects, whose value Panamanian sources have estimated at approximately $30 billion, would be hampered.

The ARI is planning to turn Albrook Air Force Base into a "City of Knowledge," a 500-hectare educational complex for approximately 15,000 students and professors from all over the world that would contribute an estimated $300 million to the country's economy.

In addition, the ARI is working on plans to build a government city at the present Fort Clayton and to turn 176-hectare Fort Amador into a tourism complex and an industrial park devoted to producing export products.

Article 6 of the treaties signed by then U.S. President Jimmy Carter and now deceased General Omar Torrijos in 1977—the treaties stipulate that the administration of

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the Canal would be turned over to Panama in 1999—alludes to contamination in a general manner.

According to this article, Panama and the United States "are making a commitment to implement this treaty consistently with the protection of Panama's natural environment, to consult and cooperate with one another about this matter, and to create a joint commission that would make recommendations regularly so as to prevent or diminish contamination."

According to Article 4 of an annex to the treaties, the United States must take measures to ensure, "as best as possible," that "every threat to human life, safety, and health" be removed from defense sites, coordination areas, or portions thereof on the date the permit for the use of these areas by the U.S. Armed Forces expires.

"Before any installation reverts, the two governments shall consult with one another regarding the installation's condition, including the removal of threats to human life, health, and safety, and compensation for residual value thereof, if any," the article states.

"The United States should regard the decontamination of the bases as an ethical and moral issue and a duty toward Panama rather than a technical or financial matter or the mere letter of the treaties. It is part of the nations' duty to keep the planet free of pollution," Manfredo's report concludes.

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Argentina

Menem Criticizes 'Excesses' By Police, Demonstrators

PY1404181495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1241 GMT 14 Apr 95

[FBIS Translated Text] Buenos Aires, 14 Apr (NA)—President Carlos Menem said this morning that worker Victor Choque, who died in the serious incidents that occurred in Ushuaia, was trying "to free some fellow workers who had been detained" when he was hit in the head by a bullet.

In remarks to Radio La 9.90, Menem said: "That is the report I have received, but obviously we must have more information to reach a final conclusion."

Menem reiterated that "just as excesses committed by the police cannot be justified, the excesses by demonstrators attempting to free some workers who had been detained by the police cannot be justified either."

Although acknowledging that the workers' claims "are logical," the president harshly criticized a member of the Movement Toward Socialism (MAS), "who had said that he was going to burn down the country from Tierra del Fuego to Salta."

Menem added: "These remarks show the clear political intent pursued by a small group that infiltrated the workers as they were making their demands. This led to acts of violence."

Cavallo Grants News Conference on Central Bank Law

PY1404211695 Buenos Aires Argentina Televisora Color Network in Spanish 1330 GMT 14 Apr 95

[News conference by Economy Minister Domingo Cavallo, Central Bank President Roque Fernandez, and Horacio Tomas Liendo, Economy Ministry secretary for legal, technical and administrative coordination, at the Economy Ministry in Buenos Aires—live]

[FBIS Translated Excerpt] [Cavallo] Today is Good Friday and we should not be working or making you work. We ask the Lord to forgive us for doing so and apologize to you, but only late last night could we complete the required aspects of the law that modified the Central Bank, BC, organizational chart and the rules about the financial institutions. This is why we are now ready to report on how the financial system will function, beginning 17 April, particularly with regard to depositors and the guarantees to be given to bank deposits.

Although today is Good Friday, we thought it was necessary to give you details of the new system, so that on Saturday and Sunday the people could be adequately informed about it. We also want to hand you the law we are regulating, as well as the promulgation decree that establishes the system for deposit insurance, so that the newspapers can publish the news tomorrow, 15 April. We hope that those responsible for financial and economic institutions and the financial advisers, as well as people who may write comments on these issues, will only do so after a detailed examination of these norms and the data we are releasing today.

Unfortunately, in the last three months, there have been several hasty, alarming rumors that have created unease in many depositors and investors in Argentina. [passage omitted]

Although we are making these instruments known today, they will only be published in the official gazette in the morning of 18 April because it is impossible to include them in the official gazette which will be published on 17 April. Here, I will correct what I said before: These norms will go into effect on 18 April. [passage omitted]

Account holders can be calm and continue dealing with financial institutions tranquilly. It is very important to make these new norms known. We believe that from now on there will be no more reason for fear because the guarantees on the deposits will be effective. For more details, Horacio Liendo—legal, technical, and administrative coordination secretary—can answer specific questions. If the questions refer to matters in the BC sphere, BC President Roque Fernandez can answer them. Thank you. [passage omitted]

[(Colombres)] Diego Colombres, Radio El Plata. How many and which banks will have their right to operate in the financial market suspended?

[BC President Fernandez] The number of institutions will be very limited. We will report them this afternoon, through an official BC communique. We are now working on this information and will make it known this afternoon. [passage omitted]

[Canal 11 reporter] Mr. Minister, considering the difficult situation several provinces and provincial banks have been experiencing, I would ask whether the provincial institutions in difficulty will receive any sort of special assistance in addition to the guarantees you have been announcing? Will there be a rediscount operation line or will these provincial institutions in difficulty have the same destiny of the private banks that may be having difficulties?

[Cavallo] If the provincial financial institutions that are facing difficulties decide to be privatized; if there is a provincial law authorizing the sale of at least 51 percent of their shares; they will have access to the special support granted by the Fund for Provincial Development, which is already in operation. [passage omitted]

[Unidentified reporter] Mr. Economy Minister, you have already dedicated several minutes of this news conference to explaining solutions to economic problems that the opposition has been deeming unclear or inadequate. Now I would like you to dedicate a few more

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minutes to explaining how we have reached this situation. What has caused this situation and whose responsibility it is? And finally, to calm people down, I would ask you to confirm whether 17 April will be a bank holiday.

[Cavallo] Nothing abnormal will occur on 17 April. We don't know who said that there will be a bank holiday on 17 April. This is absolutely untrue. As to who is responsible for our current situation, I would say that we are in a very good situation. In any other moment of Argentine history or in any other Argentine economic or financial institution, a crisis such as the one deriving from the devaluation of the Mexican peso, which caused alarm about practically all emerging economies in the international stockmarkets, would have caused devaluation of the national currency and a drastic reduction in salaries and savings of all who work and invest in Argentina. This, however, has not occurred. [passage omitted]

As we have achieved economic stability and are trusted by the other countries of the world, this extremely serious crisis resulting from devaluation of the Mexican peso has had no impact on our daily lives. There has been no devaluation of our currency, the inflation rate has not gone up, and the level of prices has remained the same. The good level of investment also continues the same. As a matter of fact, strong investments have been reported in the last few days. [passage omitted]

The electoral strategy of the Radical Civic Union and lately, also of the FrePaSo [Front for a Country in Solidarity], has consisted of convincing the people that the effects of this crisis are the result of our economic plan, or of President Menem's administration. People, however, know that is not true. God forbid if Alfonsin had been administering the country, or Massaccesi, or Bordon, or their respective economic teams. If that had been so, I can assure you that we would have been as bad off as Mexico is. [passage omitted]

Central Bank Suspends 5 Financial Entities

PY1504003395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2116 GMT 14 Apr 95

[FBIS Translated Text] Buenos Aires, 14 Apr (NA)—Superintendent of Finance and Exchange Companies Eugenio Pendas has reported that the five banking establishments suspended by the Central Bank will work as of 17 April behind closed doors on tasks involving "asset settlement and loan recovery."

Pendas, who is one of the directors of the Central Bank, told NOTICIAS ARGENTINAS News Agency that "the suspension of the Basel and Feigin Banks will not be lifted" although he ruled out the possibility that both institutions will be liquidated for the time being.

'Salient Points' of Announcement on Deposit Insurance

PY1504015395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1801 GMT 14 Apr 95

[FBIS Translated Text] Buenos Aires, 14 Apr (NA)—The following are the most salient points of the announcement made by Economy Minister Domingo Cavallo this morning about the Deposit Guarantee Fund (FGD) and the Federal Deposit Insurance Corporation (SeDeSa).

- The SeDeSa is to be made up of the federal government and all the banks that want to belong to it. Banking establishments are to make monthly deposits in the FGD ranging between 0.03 percent and 0.06 percent of their average monthly balances of deposits in dollars and pesos.
- The Central Bank of the Argentine Republic [BCRA] is also empowered to request additional contributions to the FGD from banking establishments according to risk and solvency indicators of each institution.
- When the amount deposited in the FGD totals 2 billion pesos or an amount equivalent to 5 percent of total deposits in the banking system, the BCRA will be able to order the suspension of payment contributions.
- The funds of the FGD will yield interest. These earnings may only be invested in foreign banks or in government bonds belonging to OECD member countries that have at least two "AA" rating.
- The FGD will insure term deposits, deposits in savings accounts, current accounts, and other modalities the BCRA may establish.
- The insurance will cover up to 10,000 pesos for certificates of deposit of up to a 90-day maturity and up to 20,000 pesos for longer term maturity.
- As of 1 July 1995, deposits bearing an interest rate two points higher than the Argentine National Bank's annual deposit rate will no longer be insured.
- The new system will insure term deposits made or renewed as of 18 April 1995 in all banking establishments that have not been suspended by the BCRA.
- Deposits made before 18 April or with institutions that are liquidated before the aforementioned date will be insured by the entirety of deposits or tangible assets of the said institutions, which may be absorbed by other banks.
- Savers will have to wait for 30 days for demanding repayment of their deposits as suspension of banks ordered by the BCRA will last for a period of 30 days, which may be extended if the latter so decides.

Reserves, 'Back to Back' Mechanism Viewed

95SM0280C (Internet) Argentina Gopher in Spanish 10 Apr 95

[Commentary by Norma Nethe: "Cosmetic Measures for Reserves"; from EL CRONISTA COMERCIAL News Summary 10 Apr]

[FBIS Translated Text] The sophisticated "back to back" operation is responsible for much of the $300

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million rise in the Central Bank's level of international reserves, bank sources have confided to EL CRONISTA. Although this mechanism does not violate convertibility, it underscores the sort of imagination that the banks are having to exercise to deal with the system's restrictions.

Back to back operations are conducted by first-tier banks, whether foreign or with correspondent banks overseas. They involve offering large depositors who have withdrawn their funds from the local market the option of placing them in the offshore circuit. In turn, the associated bank grants a loan to the local bank, which takes in the dollars and ultimately converts them into pesos. One option is for the customers themselves, if they have well-oiled overseas connections, to receive the loans. The bottom line is that depositors limit their risk because they are assured recovery of their funds, which are actually placed outside the country, while they are recorded in the local system as a regular deposit. In turn, the incoming dollars boost reserves.

This operation has been known since the days of Jose Martinez de Hoz, the difference being that back then it was called "self-lending" and served to repatriate funds that had fled the country. This time, the banks themselves are suggesting the transaction, even though it increases the foreign debt, in order to improve their indicators. "The back to back operation is at bottom a purely cosmetic measure to enhance credibility, and without it the increase in reserves that has been taking place since the beginning of the month would probably not be happening," said the source.

Nevertheless, to corroborate this assertion we need to take into account the bottom line on the inflows and outflows of foreign exchange. The jump from $10.089 billion on 30 March to $10.467 billion on 5 April was attributed in the main to the receipt of the Argentina Bond; but we should also figure into it the genuine use of dollars to pay for imports. The remainder, the size of which is as yet undetermined, may be accounted for by this complicated form of onlending between institutions. The evidence is merely anecdotal, but nonetheless noteworthy against the backdrop of the feud between the hardliners at the Association of Argentine Banks and the gradualists at the Central Bank over the management of the trust funds. If the big banks are not taking in funds generated by the local market, then one point to consider is how long they will be able to obtain offshore relief.

PJ Strategy Discussed

95SM0280A (Internet) Argentina Gopher in Spanish
7 Apr 95

[Commentary by Jorge Sosa: "Menem Hands Down Party Line Against Bordon to PJ"; from EL CRONISTA COMERCIAL News Summary 7 Apr]

[FBIS Translated Text] "Unity, organization, and solidarity" was the party line that President Carlos Menem, paraphrasing the general, handed down yesterday to PJ [Peronist Party] leaders during an unenthusiastic meeting at the Parque Norte resort.

The main purpose of the Peronist gathering was to present the electoral platform, which wound up being approved without being completed. But as this paper indicated, the chief of state took the opportunity to unite his troops in the face of possible defections to Frepaso [Front for a Country in Solidarity].

Although never mentioning him by name, the president sent more than one indirect message to Jose Bordon during his speech. Shortly thereafter, the PJ ordered the "automatic expulsion" of any leader who becomes part of a slate other than Menem's.

Menem spoke at midday to open what was a PJ national congress, at which some 500 delegates from all over the country voted on the PJ's new electoral platform. Seated next to the president were Ramon Puerta, Carlos Corach, Eduardo Bauza, Alberto Pierri, Eduardo Duhalde, Lorenzo Pepe, Eduardo Menem, Alberto Kohan, and Julio Cesar Araoz, among others. Menem annoyed his minions at first with a monotonous and, at times, disjointed speech that he managed to perk up in the end with a call to "regain our commitment to and faith in victory," and in addition promising more than 350,000 jobs.

The fact is, though, that the audience did not show much spirit either at this pro-forma meeting, which ended ahead of schedule, when the delegates to the congress passed, without time for comment, a platform that strictly speaking had not yet been completely drafted.

In any event, the main managers of the Menem campaign took advantage of the opportunity, at an earlier meeting in Olivos, to hone their election strategy. As one high-level source confided to EL CRONISTA, the administration ordered new polls to be taken next week, this time among a broader sample, reportedly as large as 5,000, compared to the 1,000 persons usually included in such previous polls. It is thus seeking a true gauge of Bordon's nationwide standing, in light of current analyses that he seems to have consolidated his support at a floor of around 30 percent.

The fear that has taken hold of key administration figures is the upward trend that certain analysts ascribe to Frepaso. From this perspective, in a more polarized election Bordon could capture the scattered UCR [Radical Civic Union] vote and the heretofore undecided vote, thus making a second round more of a possibility. Others, in contrast, assert that Massaccesi will not fall below his floor of 20 percent (which is enough to divide the opposition) and that Bordon has already peaked. As a result, the debate continued yesterday at the top echelon of the PJ.

There are, however, certain measures that the ruling party has already decided on:

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—Step up the president's incursions into the Buenos Aires metropolitan area, alongside Eduardo Duhalde, who is 10 points ahead of him in certain districts. The governor will also appear in a TV ad.

—Force the campaign debate at the level of "technicians" to "exploit" the differences between Bordon and Chacho Alvarez. The Bauza faction feels that bringing Menem into the fray would help improve the Mendoza man's standing. But several staunch Menem supporters, who often clash with this faction in the campaign organizational chart, are saying that Menem will have to "hit hard" at Bordon if the polls show further polarization. They even venture that this scenario would favor the president. Duhalde and Eduardo Menem optimistically predicted that the PJ would win "by more than 20 points" without a "second round." Shortly before, the president had criticized the Frepaso ticket without mentioning it: "This transformation," he explained, holding his head, "is provided for in Peron's work. There are those who speak of him but they are just playing it by ear." Luis Barrionuevo and Antonio Coco Cassia, among others, were following him close by.

Brazil

200 Tonnes Enriched Uranium May Have Gone To Iran

PY1404185195 Madrid EFE in Spanish 1616 GMT 14 Apr 95

[FBIS Translated Text] Brasilia, 14 Apr (EFE)—In its latest issue which will hit the stands on 15 April, the magazine ISTOE reports that a ship carrying 200 tonnes of enriched uranium, which was part of the Brazilian stock, disappeared while it was sailing from Brazil to Canada.

ISTOE reports that the uranium was shipped on board a Brazilian vessel that sailed from Brazil late last year but never reached its alleged destination; namely, Toronto, Canada.

The magazine notes that both Brazilian and U.S. officials fear the uranium may have been diverted to Iran.

The ISTOE report adds that the uranium was sent as a "loan" to a Canadian company under a contract signed by Brazil and the North American country through the mediation of a Swiss firm.

The missing uranium was extracted from the mines of Pocos de Caldas, Goias State, and was under the administration of the Brazilian Nuclear Industries, which is subordinated to the Strategic Affairs Secretariat, an office having ministerial rank.

ISTOE also reports that the Canadian company that was supposed to receive the shipment does not exist and that the Swiss company acting as an intermediary has gone bankrupt.

U.S. intelligence services have information proving that the shipment went to Iran, which, according to the U.S. Government, is believed to be developing a project that would enable it to construct a nuclear bomb.

The alleged disappearance of the shipment of 200 tonnes of enriched uranium has been reported on the eve of the first official visit to the United States by Brazilian President Fernando Henrique Cardoso.

Cardoso, who was inaugurated on 1 January, is scheduled—among other activities—to meet with his U.S. counterpart, Bill Clinton.

Cardoso will begin a three-day visit to the United States on 17 April.

Cardoso Sends Letter to Clinton Before U.S. Trip

PY1404211795 Sao Paulo AGENCIA ESTADO in Portuguese 2123 GMT 13 Apr 95

[Report by Paulo Sotero]

[FBIS Translated Text] Washington, 13 Apr (AE)—In a letter sent to U.S. President Bill Clinton on 12 April, Brazilian President Fernando Henrique Cardoso expressed his wish to discuss economic integration and preventive action to be taken as regards hot money. Another subject that Cardoso wants to broach during the talks he will hold with Clinton is the role of governments "vis-a-vis the new and complex tasks ... that the Mexican crisis (imposed) ... on the international financial system." "Markets have evolved and this new situation requires a change of attitude on the part of governments, which, in my opinion, must—within a preventive approach—foster close cooperation between monetary authorities and treasuries the world over as well as greater coordination of macroeconomic policies," said Cardoso in his letter.

The president and his entourage are scheduled to arrive in New York on the evening of 17 April. On 19 April, Cardoso is to participate in a luncheon at the Sheraton Towers co-sponsored by eight chambers of commerce, the Brazilian Business Council-USA, and the Institute of the Americas. Late in the afternoon, the head of state is slated to travel to Washington, where he will be received by Clinton at the White House on 20 April. The first lady Ruth Cardoso will have her own agenda, which includes visits to universities, speeches, and a meeting at the Inter-American Development Bank to negotiate a loan for the Community Solidarity program she administers.

Official: Cardoso Not To Be 'Defensive' in U.S.

PY1404165795 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 14 Apr 95

[FBIS Translated Text] Foreign Minister Luiz Felipe Lampreia has stated that President Fernando Henrique Cardoso will be visiting the United States at a time when there are no conflicts between our two countries.

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Lampreia added that President Cardoso will meet with President Clinton as the head of state of a country that is no longer outside the realm of international standards. He also noted the lifting of restrictions on imports, and the end of the market protection rules that primarily affected the informatics area.

Presidential spokesman Sergio Amaral said that Cardoso, during his trip to the United States next week, will not suffer any embarrassment over the Brazilian Government's recent decision to increase the import tariffs of 100 products. Amaral described as understandable the reasons for the increase.

[Begin Amaral recording] There is no reason for the president to apologize over this because the import tariff increase was fully consistent with the rules of the Common Market of the South and with the GATT rules. The reasons behind this temporary increase are totally understandable: We do not want to run the risk of suffering a speculative attack similar to that suffered by other countries. [end recording]

Amaral did not consider the import tariff increase a step backward in the Brazilian foreign trade process, but rather an improvement of the existing mechanisms. He said that Cardoso's visit to the United States will be the first in which a Brazilian president will not have to adopt a defensive position.

[Begin Amaral recording] At present Brazil and the United States do not have any conflict in their bilateral relations. Unlike the 1970's, we do not human rights problems; unlike the 1980's, we are not in the position of a debtor country that was forced to suspend its payments; and unlike the late 1980's, we do not have any trade conflicts at this point. Now, as never before, we have very good bilateral relations. [end recording]

Amaral said that expectations about good domestic reforms will make Cardoso's visit unique, primarily in light of the consolidation of democracy in Brazil.

Government Issues Decree on Environmental Protection

PY1404224695 Rio de Janeiro O GLOBO in Portuguese 13 Apr 95 p 5

[FBIS Translated Text] Brasilia—In some months' time, only those companies that comply with environmental protection regulations will have access to fiscal incentives and credit for their projects granted by official financial institutions. President Fernando Henrique Cardoso yesterday signed a decree setting up a task force in charge of drawing up—in 45 days—guidelines and operational mechanisms for the so-called Green Protocol, which will regulate tax benefits and credit facilities granted by official banking establishments. This protocol was established in haste so that the president does not arrive empty-handed at the meeting with his U.S. counterpart Bill Clinton next week, as environmental protection is on the agenda for this meeting.

Gustavo Krause, minister of state for the environment, water resources, and the legal Amazon region, commented that the government's decision to demand that environmental questions should be taken into account when analyzing loan requests is a step in the right direction. Even though there is a law in operation stipulating that all requests for government loans for industrial or agricultural investment projects must be accompanied by studies on the impact they may have on the environment, this new decree will reinforce that legislation.

Krause said: "Environmental questions have always been discussed within the realm of lyricism. We are going to forget about that and deal directly with people's pockets, which is the most sensitive part for those who destroy the environment and are in favor of the thesis that pollution is justifiable provided a project generates wealth."

Krause announced some guidelines the government is going to follow for the Green Protocol, the establishment of which is in line with the agreements the Brazilian Government signed at the Rio-92 environmental conference.

He said: "Agricultural producers constitute one of the main targets of the protocol. From now on, producers will not be able to use pesticides indiscriminately or deforest areas which should be preserved if they want to obtain lines of credit. We will have to know what technologies will be used in any given project. Otherwise, we will not grant any loans."

Colombia

Deputy Attorney General on Dismissed Public Workers

PA1704000995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 16 Apr 95

[Report by Paco Morales from the "Cripton Newscast"—passages within quotation marks recorded]

[FBIS Translated Text] The Santa Fe de Bogota Regional Attorney General's Office has announced the dismissal of 14 judicial government workers because of corruption:

[Deputy Attorney General Adolfo Salamanca] "A large number of public workers has been prosecuted; some of them have been jailed."

The organization is investigating more than 50 workers in various regional offices throughout the country:

[Salamanca] "The policy is the same. The regional directors are reporting directly to the central office regarding certain government officials who should be dismissed, investigated, or eventually transferred. I repeat: That is what we are doing to guarantee punctuality, regularity, and honesty in all aspects."

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In the faceless judges justice system, another 10 government officials are being investigated for extortion.

Botero Views Constitutional Court Ruling

95CA0177B Santa Fe de Bogota EL TIEMPO in Spanish 4 Apr 95 p 12A

[FBIS Translated Text] *Botero claimed that the ruling preventing military on active duty from participating in Courts-Martial is an attack against the military penal jurisdiction and the administration of justice, representing serious budgetary problems.*

Yesterday, the defense minister asked the Constitutional Court to reconsider its position declaring as unconstitutional the regulation stipulating that Courts-Martial are to be comprised of military personnel on active duty.

Minister Fernando Botero sent a letter to the Constitutional Court, in which he gives three fundamental arguments for his view that the body's ruling is inappropriate. The first relates to the Military Penal Jurisdiction. According to Botero, the decision perverts this legal institution, and represents an abolishment of the natural judge.

In the message, the minister claims that this is not merely a matter harmful to the Military Penal Jurisdiction, but also one that would generate unnecessary obstacles in the process of administering justice. Following is the text of the minister's letter:

"Jose Gregorio Hernandez
"Honorable President of the Constitutional Court, City.
"Mr. President:

"I am addressing you with the greatest respect and, through your worthy channels, the honorable magistrates, after having learned, with concern, through the news media on 29 and 30 March of this year, that the Honorable Constitutional Court plans to issue a ruling declaring the expression officers on active duty or,' in Article 656 of the Military Penal Code [CPM], unfeasible. This is equivalent to stating that such courts-martial would be comprised of retired officers.

"In view of the fact that the final decision has not yet been announced, in my capacity as national defense minister, I wish to submit, for the enlightened consideration of the honorable president and magistrates, some general considerations as points for reflection. Without attempting to obstruct the autonomy of the jurisdictional branch, they could, in fact, help to shed light on this issue which, owing to its sensitivity and complexity, has marked repercussions on the state's institutional existence:

"I. Military Penal Jurisdiction:

"In the first place, the Military Penal Jurisdiction, established in the Political Constitution for members of the Public Forces, would be perverted, since the natural judges would cease to be military on active duty, and would be replaced by retired officers. Although it is true that, in their time, they bore the arms of the republic, the fact is that they are now civilian citizens with the full exercise of their political rights.

"The possibility is established in Article 656 of the CPM for retired officers to participate in courts-martial, in a subsidiary legal provision to be applied to the final part of the regulation. It refers to superior rank and seniority, when there are no officers on active duty with more seniority than the one tried. In other words, it is an exceptional legal expedient.

"It should be pointed out that those who have demanded the unconstitutionality of the regulation are questioning the impartiality and honesty of the members of the Public Forces on active duty in the administration of justice. This, besides being unjust to such self-sacrificing public servants, is contrary to the constitutional mandate established in Article 221. The latter, in discussing Military Courts, refers precisely to courts-martial as a type of procedure inherent in military trials.

"II. Administration of Justice:

"The administration of military justice, typified by its speed, could become seriously damaged by the difficulties that would be posed for forming courts-martial.

"Moreover, institutions such as forced release from jail of the one indicted, prescription, and delayed terms would occur more often, thereby generating impunity due to delayed proceedings.

"Similarly, it would become impracticable to hold courts-martial in theaters of operations and in areas with an obvious disturbance of public order.

"III. Good Faith:

"The status of a member of the military or police on active duty would constitute a stigma insofar as the administration of justice is concerned, as well as for self-esteem, inasmuch as the subject's capacity, fitness, professionalism, and good faith for taking action would be unknown.

"The forgoing obviously diminishes the esteem and respect for authority that should exist in a state of law and a civilized society, of which the members of the Public Forces are an essential part.

"To assume that members of the military and police cannot hold the positions of president, prosecutor, defender, and member of courts-martial owing to their status as such would disregard the constitutional principle that the actions of public authorities must adhere to the tenets of good faith: something presumed in all their activities. It would question the legitimacy of those performing a duty as important as that of defending the sovereignty, independence, and integrity of the national territory, and of its constitutional order, as well as protecting the lives, honor, possessions, beliefs, and other rights and liberties of individuals.

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"IV. Impediments:

"If the honorable Court, in its wisdom, declares the expression officers on active duty or' unconstitutional, the legal consequences of this decision would have the following institutional repercussions:

"A. Courts-martial would have to be comprised of retired officers of higher rank and greater seniority than the person indicted. For this purpose, it would be necessary to make a selection of retired officers whose service records have been impeccable, and whose retirement has occurred at their own request, so as to guarantee an honest administration of justice.

"B. It is not practicable for such officers to be appointed as judges or prosecutors, since those positions do not exist in the present military organization. Nor are there even slots in the personnel rosters that would permit such appointments. So, they would have to be paid fees for each one of their proceedings.

"C. It would be necessary to have a large number of retired officers available, with the qualifications cited in section A, in all of the country's garrisons. Or, at least, it would have to be ensured that the officers who agree to participate are willing to travel to critical areas or those with disturbed public order: something that would prove quite difficult.

"D. At present, there is no express regulation of a coercive nature that would oblige retired officers to become members of courts-martial.

"E. Besides the functional and economic problems that the aforementioned ruling would entail, the greatest institutional impact would be the breakdown of morale among the troops, most of whom are engaged in harsh, difficult tasks restoring public order. It is important to stress that the fighting spirit and efficiency of the men are directly proportional to the level of their morale.

"Mr. President and honorable magistrates, it should be pointed out that if the final decision of the honorable Constitutional Court is to declare Article 656 of the CPM partially unconstitutional, the national government will abide by that pronouncement with the respect that is due the rulings of the country's highest courts. Nevertheless, I wish to appeal, with deep respect, to the spirit of understanding and good judgment of your distinguished members, so as to solve this difficult problem, with such deep repercussions on the state's good progress, in the most equitable and fitting manner possible.

"With sentiments of deference and esteem.

"Fernando Botero Zea, Minister of Defense."

NFD Senators Reject LA PRENSA Photomontage

95CA0184A Santa Fe de Bogota EL TIEMPO in Spanish 6 Apr 95 p 6A

[FBIS Translated Text] Yesterday afternoon, 64 members of congress from different political parties—mostly of Liberal affiliation—arrived at Narino Palace to express support for President Ernesto Samper Pizano.

On the same day, the chief executive received messages of support from representatives of the economic trade associations, spokesmen for the academic sector, political leaders of various persuasions, and governors, among others.

The motion for support was formally presented to the chief executive by the president of the Chamber of Representatives, Alvaro Benedetti Vargas.

Representatives Jose Dario Salazar and Mario Rincon, among other Conservative congress members, spoke at the informal function as well.

Furthermore, independent spokesmen, such as Ramiro Lucio, were heard.

Trade Association Backing

Cesar de Hart, chairman of the Colombian Farmers Association, also offered Samper his solidarity "at the present time, when the institutions embodying the democratic principles and values that bring us together as a nation and a free people have their most legitimate and worthy representation in the presidency of the republic."

The Antioquia governor, Alvaro Uribe, sent him a message in the same vein.

Fernando Hinestrosa, rector of the Day Session University of Colombia, sent him this message: "Receive the expression of my support and solidarity, and the reiteration of my esteem for what you are and represent, at a time when not only the solemnity of your inauguration but also, in particular, the dignity of the nation and your personal dignity are involved."

Meanwhile, yesterday, the New Democratic Force [NFD], a movement that follows the orientation of ex-candidate Andres Pastrana Arango, rejected the photomontage with which the newspaper LA PRENSA offended President Samper.

In a statement signed by its five senators, the NFD indicated that, although there must be complete freedom of the press in the country, its abuse is unacceptable.

Senators Jorge Hernandez Restrepo, Efrain Cepeda Sarabia, Gustavo Galvis Hernandez, Claudia Blum de Barberi, and Eduardo Pizano de Narvaez declared that they share the sentiments voiced by Andres Pastrana in his recent letter to Samper.

In it, the ex-presidential candidate claimed that this type of montage is of no benefit to Colombia but, rather, is damaging to the presidential institution.

At the same time, the political movement voiced its differences with the terms of the statement issued on Monday by the Council of Ministers regarding the Pastrana family.

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The spokesmen for the New Democratic Force remarked: "We can by no means accept a situation whereby anyone disagreeing with the Samper government's policies in any of their areas is declared unpatriotic."

Trade Relations With Venezuela Viewed

95CA0178A Santa Fe de Bogota SEMANA in Spanish 28 Mar 95 pp 68-71

[FBIS Translated Text] It was an appeal for good sense written to the beat of "bambuco" and "joropo" [regional forms of music and dance]. Its tunes were heard last week when, in a joint communique, Carlos Arturo Angel, the chairman of Colombia's National Association of Industrialists, and Edgar Romero, the chairman of Venezuela's Fedecamaras [Federation of Associations and Chambers of Commerce and Industry], made protests against the tensions that have recently become heated on the border between the two countries. What the communique made clear is the concern of industrialists from both countries, who fear that the bilateral difficulties may begin to hurt their pocketbooks.

Although Colombia and Venezuela have become two trading partners who are increasingly feeling the need to work together, counting on the future of commercial relations between the two countries is becoming more difficult every day. The first problem occurred last year when, owing to the neighboring country's exchange problems, trade came to a standstill for three months. What is currently jeopardizing exchanges is the cooling of relations between the two governments which, although it has not yet knocked on the doors of businesses, could cause a deterioration in bilateral trade.

The potential consequences of the border tension have sufficed to prompt all kinds of speculation. It ranges from the claim that nothing is happening and business is being continued (shown by the crystal ball of most analysts) to the extreme view that the border may be closed. This would stop the passage of products in both directions. The most pessimistic even consider the notion that Venezuelans might extend the anti-Colombianism expressed in the news media to products "made in Colombia."

Nevertheless, there are not yet very clear signs that the situation is that serious. To begin with, the bill that the Venezuelans would have to pay if they were to count on a commercial future without Colombia would be very large. It would mean abandoning not only the leading trading partner of that nation, but also the neighbor that allowed Venezuelan business firms to remain afloat in the worst of their crises. In Caracas, the representative of Colombia's commercial office in Venezuela, Jose Abril, remarked: "Since the Colombian market is so good, the decline in the Venezuelan internal demand in 1994 served as a cushion inside many business firms."

At present, 27.4 percent of Venezuela's nontraditional exports are arriving in Colombia. This level even exceeds that of the neighboring country's exports to the United States, which receives 24.8 percent. In addition, the balance is quite favorable to Venezuela, which sells to Colombia nearly twice as much as the latter exports in the other direction. According to the most recent figures, the trade balance was positive for the Venezuelans by nearly $600 million in 1994.

As if all that were not enough, this year Colombia will purchase 30 percent of its nonpetroleum sales abroad, which would be equivalent to $1.4 billion. Hence the importance to Caracas of taking care of its neighbor, despite the political problems.

Venezuelan exports had a good year: first, because with the collapse of the internal market, many business firms began seeking their salvation in Colombia; and second, because the 60 percent devaluation made it more competitive than the local production.

Magdalena Pardo, ex-director of the Colombian-Venezuelan Chamber of Commerce and Integration, claims: "If anything good has happened to Venezuela, it is its relations with Colombia, because they enable it to diversify its exports, to stop depending on oil, and to change its economic model."

Ultimately, Venezuela must face the challenge of rescuing its economy from the abyss into which it fell last year: There was a 3.3 percent reduction in the GDP [Gross Domestic Product], although the oil industry had a new growth of 5.7 percent; private industry declined 6.6 percent; inflation closed at 70 percent, and the consolidated public sector closed with a deficit equivalent to 15.2 percent of the GDP. This was due to the assistance given to the banks for emerging from their crisis. To change the direction of these indicators, Colombia is an ally that should not be overlooked.

Javier Diaz, vice chairman of the National Association of Exporters [Analdex], claims, for his part: "The governments must pay more attention to the problem because, although it is not likely to be damaging in the short term, it will end up being detrimental to business in the long term."

Cars Without a Destination

The automotive sector's situation would be particularly tragic if relations were harmed. After all, had it not been for the Colombian market, the General Motors or Ford affiliates would have had to take the bad with the good. The installed capacity in the neighboring country makes it possible to produce approximately 200,000 cars per year. Nevertheless, there is no one in Venezuela who could buy even half of that total. Hence, the salvation lies in Colombia, which is experiencing an unprecedented boom in automobile consumption.

But it is not only vehicles that would be left without one of their preferred destinations. Other sectors in which the consequences of a shutdown in trade would be particularly tragic are aluminum and iron. The director of the Proexport [Export Promotion Fund] office in Venezuela, Jorge Alberto

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Velasquez, declared: "It would be very difficult for Venezuela to seek an alternative market, because of the type of products sold to Colombia. This would make a deterioration in relations especially serious, although that has not yet become evident. We have even created a promotion program for doing business with Colombia, and 85 projects have already been submitted, proving that there is still an interest."

The picture would not be gloomy on the exports side alone, but also on that of imports. For Venezuela, purchasing products for mass consumption from other countries would raise costs and, hence, prices to the public. This would exacerbate the risk of a hyperinflation, which is the greatest fear of that country's experts, because last year the consumer price index exceeded 70 percent. Moreover, there is the risk that it may reach three digits this year, and later creep up to four.

The Other Side

Nevertheless, Venezuela would not be the only loser. The situation here is not very different. Venezuela is an important trading partner for Colombia, and breaking off relations would be like leaving just when the party was becoming lively. On the one hand, $11 out of every $100 worth of nontraditional exports leaving Colombia go to the neighboring country. And, although that proportion is a third of what the United States represents as a market, it is by no means negligible.

Sectors such as textiles and hides—which have found a palliative for withstanding their internal crisis in Venezuela—and chemicals and foods, would find their profits quickly diminished, because the Venezuelan market has become a major destination for their products.

Colombia also would lose considerably if it had to curtail its purchases from the neighboring country, because most of them are raw materials, with which it makes manufactured products for export. Although it could seek them in other countries, the price would be so high that it would eventually lose markets.

Colombia's foreign trade minister, Daniel Mazuera, is optimistic about the political problems, in the sense that they will not hurt commercial relations. However, he warns that the country must be alert. "There is an obvious will on the part of both governments not to hurt the commercial area, because a considerable flow of business exists, which would be difficult to stop. The issue has not been brought up in the Andean Group talks, which shows that there is not yet any worry about it."

Another area that would be undermined if relations were damaged is that of foreign investment. Venezuela has reduced its participation, because it moved from investing $65 million in 1993 to $20 million last year. This is a 68-percent cut, explained by the banking crisis in the neighboring country. Colombians, on the other hand, stimulated the flow of investments, because they rose from $11.6 million two years ago to $28.3 million in 1994, with a 143.3 percent growth. This makes a definitive breakoff in relations difficult. In fact, last week one of the largest business deals between neighbors was closed, with the purchase by Colombia's Cadenalco of Venezuela's Cada and Maxys supermarkets.

One hope for the cards to prove favorable for relations between Colombia and Venezuela is that commercial integration made it possible to surmount the boundary problem that arose during the late 1980s. If this policy is continued, it would prove that the political problems are assuming a secondary importance for business owners, when increasing the profits of a company is involved.

Principal Products

Venezuela to Colombia (as of Oct 94)

	millions of U.S. dollars
Vehicles	168*
Gasoline	102
Aluminum	21
Oil for lubricants	18
Iron bars	16

* Includes personal and commodities transport.

Source: Analdex-DIAN [National Customs and Tax Directorate]

Colombia to Venezuela (as of Dec 94)

	millions of U.S. dollars
Textiles	86.4
Industrial chemicals	70.2
Garments	47.9
Food products	47.6
Hides and byproducts	41.0

NonTraditional Exports 1994 (in US$ millions)

Venezuela	Total: 3,987
[figures in percentages]	
Colombia	27.4
U.S.	24.8
Mexico	6.0
Others	41.8

Source: ICE [Foreign Trade Institute]

Colombia	Total: 4,085
[figures given in percentages]	
U.S.	33.3
Venezuela	11.5
Ecuador	6.9
Others	48.3

Source: DIAN

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Retired Officers Oppose Court Ruling

95CA0177A Santa Fe de Bogota EL TIEMPO in Spanish 4 Apr 95 p 12A

[FBIS Translated Text] In an emphatic rejection of the Constitutional Court's ruling that virtually buried the military penal jurisdiction, leaving the judgment of officers on active duty as the responsibility of those retired, the Colombian Association of Retired Officers [ACORE] of the Armed Forces resolved that none of its members would participate in court martial proceedings convoked to implement that decision.

The resolution was passed after the session of the Ordinary General Assembly, held last Friday, and the following communique was issued thereafter:

"The Ordinary General Assembly of the Colombian Association of Retired Officers of the Armed Forces, meeting on 31 March 1995,

"Whereas:

"1. The Constitutional Court has declared the formation of Courts-Martial with officers on active duty in the Armed Forces unfeasible.

"2. This ruling violates the Military Penal Jurisdiction called for in the National Constitution, and established in all constitutions ever issued in the country, as well as in Colombian military penal legislation since the founding of the republic.

"3. This decision is a discriminatory act, representing a serious affront to the Armed Forces of Colombia which, throughout history, have undergone difficult tests that they have resolved with the effective operation of the military penal justice system. The military courts have never been validly branded as biased in their verdicts.

"4. The breakup of the Military Penal Jurisdiction deeply hurts the morale of the members of the Armed Forces, causing dissent in the institution's ranks, and inducing it to distrust the impartiality of the justice system with which the military on active duty will be judged.

"5. If maintained, this measure of the Constitutional Court will entail grave, unpredictable consequences for the nation and the military institution.

"6. It is inconceivable, given the tenuous circumstances being experienced by the country, both in the internal public order situation and its international policy, that the agency assigned to oversee compliance with the Fundamental Charter of the Republic should deliver such a serious blow to the morale and prestige of the Armed Forces. It is based on inane motives, violating the National Constitution itself, according to prominent jurists and four members of the body itself.

"Resolves:

"1. To express its complete disapproval of the Constitutional Court's ruling prohibiting the military on active duty from taking part in the Courts-Martial, based on the reasons expressed in the Whereas clauses.

"2. In support of, and in solidarity with our Armed Forces, ACORE instructs its members to abstain from joining the Courts-Martial convoked on the basis of the Constitutional Court's decision.

"3. To report this resolution to the president of the republic, the defense minister, the courts in the jurisdictional branch, the Congress, the commander in chief of the Armed Forces, and the commanders in chief of the service branches, expressing our association's solidarity with all the personnel on active duty in the Armed Forces.

"Signed, Colonel Luis Alfonso Rincon Aldana, president of ACORE."

Ecuador

Troops Turn Over Base Sur Detachment to Observers

PA1504143295 Quito Voz de los Andes in Spanish 1230 GMT 15 Apr 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran troops have turned over the Base Sur detachment, where the fiercest fighting took place during the border conflict with Peru, to the observers mission of the guarantor nations, according to local newspaper reports. The troop disengagement is proceeding normally, without incidents at the end of the third of seven weeks during which total demobilization is expected to take place, Joint Command Chief Victor Bayas has said. Foreign Minister Galo Leoro Franco has also affirmed the process is unfolding with complete normalcy. The Ecuadoran and Peruvian troops have withdrawn from the conflict zone to concentrate in the rearguard posts assigned by the observers mission.

Minister Hopes Fujimori To Attend Rio Summit

PA1404160195 Quito Voz de los Andes in Spanish 1700 GMT 12 Apr 95

[Report by Mauricio Carpio; from "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran Foreign Minister Galo Leoro said today he hopes Peruvian President Alberto Fujimori will attend the Rio Group Summit, which is scheduled to be held in Ecuador in September.

In January, Ecuador assumed the pro tempore secretariat of the Rio Group and, as such, will host the Ninth Meeting of Chiefs of State and Government of the permanent consultation and political coordination organization, which comprises 14 countries of the American continent.

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Leoro told foreign correspondents accredited in Quito that the military conflict between his country and Peru that took place last January and February should not be an influencing factor in the Peruvian president's attendance to the summit in Ecuador.

Fujimori became the first Peruvian president to visit Ecuador in 1992. At that time, he discussed with his then colleague, Rodrigo Borja, 1988-1992, and with current Ecuadoran President Sixto Duran-Ballen later the border problem, which has made their armies clash in three undeclared wars during the past 53 years and prompted an untold number of skirmishes and military tensions.

In addition, Foreign Minister Galo Leoro Franco expressed satisfaction with Peruvian President Alberto Fujimori's rectification when he said he had meant to say detente when he said he had distracted Ecuador with his visits so as to be able to effectively combat the Shining Path.

The Peruvian president also said he appreciated the Ecuadoran friends who wanted peace with due respect for international treaties. Foreign Minister Leoro clarified that Ecuador's recognition of the validity of the Rio de Janeiro Protocol could in no way be interpreted by Peru as a disregard for the impossibility of executing the document in an area of the border.

Peru

Fujimori Critic Acknowledges Clean Election

95P20715A Lima CARETAS in Spanish 13 Apr 95

[Commentary by Fernando Rospigliosi: "After the Dunk"; received via Internet]

[FBIS Translated Text] Alberto Fujimori's triumph last Sunday was so great that it even surprised the winner, as he himself admitted at the press conference at the Hotel Crillon.

Well-founded suspicions of government fraud were put aside following the wide margin beyond the minimum 50 percent needed to win in the first round and the lead of almost 3-1 over his closest rival, Javier Perez de Cuellar. There is not much possibility of massive alteration of the election returns without engendering a major scandal. In other words, it is possible to alter the result by a few percentage points—as happened in the referendum, according to then National Election Board member Juan Chavez Molina—but not by 10 or 15 points without the national and international observers taking note.

In this context the work of the Transparencia group, which had been vilified by a government with a bad conscience, proved impeccable and corroborated the honesty and absolute impartiality of its members. On Sunday evening, they announced the preliminary figures that gave Alberto Fujimori a win of 64 percent.

Many people were also surprised by the outcome of the congressional election, because even those who predicted a win for Fujimori in the first round thought we would have a divided parliament with no majority. That was a mistake to think, as I said in this column two weeks ago, because "if Fujimori wins in the first round, he will certainly have a majority in the Congress."

In fact, if a gap between votes for Fujimori and for his congressional list was predictable, it could not be as large as some thought. There are not that many cross-over voters. The result is that we have once again a submissive, obsequious Congress which probably will not exercise checks against the president and which will pass legislation as directed by the government.

Government spokesmen are claiming that with last Sunday's election "democracy has been fully restored in Peru." That is a fallacy. The fact that Fujimori got the people's support does not change the fact that the country is being governed by a civilian-military leadership which does not respect the laws or procedures when it does not suit them, and that the basic condition of democracy—balance of power—does not exist.

Fujimori said it clearly in recent days. "We are living in a new kind of democracy," he said, with a direct relationship between the leader and the people, and without intermediaries. In reality this is a very old system of authoritarian rule, allowing the ruler to impose his will upon the unorganized masses.

In the Peru of today, after decades of crises and social disintegration, not only have the political parties crumbled, but already discredited institutions have been further weakened, and many of the budding organizations of civil society have been dissolved.

The possibility of redirecting the country down the path of democracy was already limited, and after Fujimori's win, that possibility has been postponed indefinitely.

Those of us who were wrong about the support percentage Fujimori would get on 9 April paid for our mistake with a dunk in the fountain on Plaza de Armas. This time, and we have to admit it, the polls were not wrong and did indeed reflect the trend of the electorate.

The crushing weight of the minivan culture [cultura combi], which puts a premium on immediate efficiency (real or imagined), without regard for the means, overrode all other considerations—even the nationalist sentiments that took a beating in the recent conflict with Ecuador. The government's disastrous performance in that regard did not influence the voters much.

To recognize the winner of an election does not imply to put aside one's own opinions, as the spokesmen for Fujimorism are now claiming. According to this peculiar theory, in order to be a democrat you must immediately identify with whoever gets the most votes. In fact, some

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of Fujimori's most enthusiastic followers have practiced this opportunistic approach to successive governments, be they civilian or military.

It is one thing to admit that the victorious candidate was more adept than his adversaries in a competition—which, by the way, was not equitable—to gain the support of the people, but it is an entirely different thing to maintain that a government which until yesterday was authoritarian and corrupt today is democratic and honest.

Venezuela

Foreign Minister on Border Issue, Relations

PA1404004195 Caracas Radio Caracas Television Network in Spanish 0200 GMT 10 Apr 95

[Interview with Foreign Minister Miguel Angel Burelli Rivas by Marcel Granier at the station's studios in Caracas on 9 April; date not given—live or recorded]

[FBIS Translated Text] [Granier] Our guest tonight is Foreign Minister Miguel Angel Burelli Rivas. Of course, the subject we will discuss is Colombia. How are relations with Colombia? What is happening?

[Burelli] I believe the Merida meeting on 30 and 31 March, when the foreign ministers of both countries installed the Presidential Border Affairs Commissions, reduced the tensions created by the Cararabo disaster. I can say with good reason that relations are again characterized by peace and understanding.

[Granier] There are, undoubtedly, good reasons to believe in the good faith of the Colombian Government. There are, however, some reasons to worry. First, important sectors within the Colombian Government, as well as political and business groups, have recognized that they do not have control over zones occupied by Colombian guerrillas. This would seem to imply that there is a no-man's-land between Venezuela and Colombia. This, of course affects them—it is their problem—but it also affects us a great deal. If we add to this the wave of protests against Colombian President Ernesto Samper for his links with drug trafficking and the apparent financing of his electoral campaign by drug traffickers, there are even more reasons to worry.

[Burelli] Without referring to the last part of your question, which involves Colombian domestic affairs, the Colombian state's abandonment of the border region created the security problem that today is the main point of discussion with Colombia. This discussion reached its peak during border commission meetings in Merida. Although there were many topics on the agenda, in this case our main concern was border security, which we feel must be a shared responsibility. Oddly enough, while the presence of a neighboring country's army at the border usually implies a threat to the other country, in this case it is a guarantee. As I said before, we have demanded that presence to balance the Venezuelan troops, which are trying to maintain our territorial integrity and security at the border from our side, therefore, there is nothing strange in this; on the contrary, it is at Venezuela's invitation.

We should always remember in our relations with Colombia that the main issue in all of this is drug trafficking. It moves everything: the sun and the moon, as Dante would say.

[Granier] There has been a wave of protests from both the United States and groups inside Colombia about alleged links between the government and drug trafficking. If true, there could be another incident like the one in Cararabo.

[Burelli] I would say those reports have to be proven. It seems to be an issue of U.S. domestic policy...

[Granier, interrupting] And of U.S. foreign policy as well, it seems to me...

[Burelli, interrupting] Yes. I believe it is totally improper for a member of the U.S. Congress to give an ultimatum to one of our countries. I believe it is totally improper and unacceptable. Colombia has had to struggle and face many dangers. Guerrilla groups have been there for a long time. In the past they had political objectives, which ceased with the end of the East-West confrontation. Those guerrilla groups are unique in the world because they are capable of financing themselves. They have a large income, and once that...

[Granier, interrupting] Where does that income originate?

[Burelli] From holdups, kidnappings, protection money, and by blackmailing oil companies, which must pay to prevent sabotage of the oil pipeline. There is another factor: After the guerrillas lost their political characteristics, they began resorting to holdups and terrorism, which is what guerrilla groups are doing today. At the same time, drug traffickers realized they needed an armed wing, so they paid guerrillas to support their operations. That is how the perfect guerrilla-drug trafficker connection began.

[Granier] Do you believe that connection really exists? That is a very serious problem for both Venezuela and Colombia.

[Burelli] It is a very serious problem. Colombia must fight guerrillas, which are a very grave problem, and at the same time fight an evil like drug trafficking, which dissolves everything because it has enough resources to dissolve everything. I remember that as I child I read in the Bristol Almanac about a wise [words indistinct] who discovered a marvelous liquid capable of dissolving everything. When the Roman emperor called him and asked him to give him the liquid, he refused. The emperor sent him to the Colosseum, where he would be devoured by beasts unless he relinquished the liquid. He

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was given one last chance, and the emperor asked him: Why do you refuse to give me the liquid? Before dying, the man cried: Because it dissolves everything, so no container can hold it. Consequently, I cannot give it to you.

The same thing happens with drug trafficking. While cocaine is produced in Colombia, the U.S. and world markets become more voracious every day. I do not think many people consume cocaine in Colombia, but it is exported because there is extraordinary demand. Today drug traffickers have an armed wing because the guerrillas have become their armed wing.

[Granier] Why not face this danger with more determination?

[Burelli] I believe it is being faced with strong determination. Colombia has made huge sacrifices. The guerrillas have killed 1,200 judges in Colombia. It has caused an incalculable number of deaths. It is a very difficult fight. Why can't the United States close their markets? Why can't the United States stop drug consumption in that country, where it is sold? Those markets make drugs attractive and give them value.

[Granier] Why don't you think they are doing anything?

[Burelli] Because they have the same problem we do. In Venezuela, people ask why money laundering is not stopped. The problem is that money laundering is detected after the fact; by the time it is discovered, the operation has been going on for a long time.

The United States itself, with so many mechanisms to fight money laundering, has just now started asking banks to print a form requesting information on deposits in excess of $5,000: name of depositor, address, and so on. They are just beginning with that, while we are all engaged in an activity that goes beyond our innocence in the face of that problem.

[Granier] The United States argues that Colombia is very tolerant of drug trafficking. It has even made accusations of ties between the Colombian Government, or Colombian politicians, and drug trafficking. Colombians responded that the United States is evem more tolerant of drug trafficking because it allows planes carrying drugs to enter its territory, despite radar and security systems, and it allows those drugs to be marketed openly on U.S. streets. Who is right?

[Burelli] Well, I think I have already spoken about this. It seems to me that narcotics groups must have some important contacts within the Colombian state apparatus, spread within the Colombian state system. But the markets fundamentally govern the drug trade. The law of supply and demand is much older than neoliberalism. What would we do with Venezuelan petroleum if there were no demand for it? Petroleum would not exist; no one would be interested in it. It would be like that bitumen that spread across fields in the past, which was known for its bad smell. At that time, no one knew of its enormous potential.

[Granier] Why do you think drugs are so widely accepted in American and European societies? Is it because they are decaying societies, or is it because drugs are very attractive?

[Burelli] Both reasons. Drugs give people a high. Rich kids, bored because they have it all, fall for drugs and other vices. The poor, to imitate rich kids, commit any kind of crime to obtain money and be able to do as the rich kids do. This, I think, is a very simple system. It moves the machinery behind drugs, which have permeated the military, priests, businessmen, and have broken the ethics in people's lives.

[Granier] For 150 years we have been dreaming of the liberator's ideal of uniting all Latin American countries, beginning with the countries that comprised Nueva Granada, in what he called Greater Colombia. The events that have taken place recently make it increasingly less likely that the liberator's dream of merging Nueva Granada and Venezuela into one great country will become a reality.

Curiously enough, this is happening at a time when the union of countries is easier than ever. The trade agreements Venezuela has signed with Colombia, the creation of the Group of Three, and the general world trends—the telecommunications revolution, the opening of world trade, the end of the Cold War—are factors that would make it easy to accomplish the liberator's dream, but specific obstacles have emerged.

Venezuela and Colombia are becoming more separated physically because the malignant wedge of drug trafficking, guerrillas, banditry, and intolerance has come between them. When we return, I would like to hear your comments. We will be right back. [commercial break]

A few moments ago, I said the changes in the world favor Venezuela's merging with Colombia, the former Nueva Granada. This was the liberator's dream of a Greater Colombia. The idea has been bolstered by the increase in commercial relations between the two countries, communication facilities, and the desire of leaders to accomplish this goal.

Internationally, everything favors integration and globalization. However, we said that the wedge of drug trafficking, guerrillas, banditry, and intolerance has come between Venezuela and Colombia. How does the Venezuelan Government view that?

[Burelli] Well, we view it with concern, but we also consider it normal. As relationships between countries become more intense, more problems emerge. For example, we do not have problems with Finland because we do not share borders with it. We did not have problems with Brazil because we turned our backs on each other, but now we are beginning to have excellent

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relations with Brazil, and problems will begin to emerge. The important thing is to be aware of this and to know that Colombia is a country whose problems will spill over onto us if we do not contribute, in some way, to help it solve its problems. In this sense, integration has done much. Coincidentally, the integration process on the Tachira border is the most intense integration process in the Western Hemisphere. The exchange amounts to nearly $2 billion, with a favorable balance of almost $700 million for Venezuela. This gives jobs to many Colombians and Venezuelans. As the businessmen of the two countries continue to work together, there is an opportunity to establish joint enterprises. They do not interrupt their relations or their trade because of what occurs in the uninhabited area of the border, which is where the largest number of problems exist.

We think the situation can be normalized if we increase intelligence and if we convince Colombia, as we are doing, that they should be present on their side to prevent the guerrillas from entering Venezuela and, if the guerrillas enter, to help us immediately suppress them. But we should not be so naive as to think that similar incidents cannot reoccur. The guerrillas have found a gold mine. They know they can spark a fight between us and they come out the winner. The important thing is that we not seek that fight and that we not accept that dare. Instead, we should see them as they are: enemies of Venezuela and Colombia, of integration, and of everything else.

[Granier] That is your interpretation of the Cararabo incidents, a deliberate provocation by the guerrillas to spark a confrontation between us?

[Burelli] A provocation that was to their gain, because it created tension between the two countries, raised the tone taken by the Colombians, who had been more restrained in their attitude toward Venezuela, and stirred up the Venezuelans, particularly the sector with warlike ideas for solving a difficult situation. I had to handle a difficult situation in a moment of misunderstanding. By the way, EL DIARIO DE CARACAS was very kind in interpreting well what I had said from the beginning: It is foolish to blame the Colombian Government for the attack. The aggression, however, is the responsibility of the Colombian state because it came from its territory. When one is a lawyer, one understands the subtle difference between the two things.

We are always going to be involved in this problem because the guerrillas have their university, they have their PhD's working every day to find the weakest locations, maybe further south. An attack can occur at any time the more desolate the border in Vichada. It is physically impossible to cover the border with soldiers. It must be protected more with intelligence, in other words, by having intelligence about what might occur. That is why we are reevaluating the situation of our consulates in Colombia so they can have more resources, and they can find out what might occur and can notify us ahead of time. I insist that the military presence is very good because both countries' military sectors understand each other well and cooperate with each other.

A few months ago, the guerrillas kidnapped a Maraven petroleum executive who was traveling with two aides in Venezuelan territory. They took the executive and one of the aides. They left the other aide and warned him not to move for three hours or he would be killed. After an hour, the aide thought it was safe so he rushed to Guasdualito and notified the National Guard. The National Guard sent a helicopter which intercepted the guerrillas. I do not know whether they sustained any casualties. Unfortunately, the petroleum executive's aide was killed, but the executive was rescued. This shows something can be done when there is cooperation. The Colombian Government and troops cooperated with the National Guard. These are the operations that we must constantly maintain.

[Granier] Must we understand that these problems will entail an increase in Venezuela's military and police expenditures?

[Burelli] And also for Colombia. Colombia has guerrillas spread throughout the country, but these guerrillas prefer the areas where there are strategic installations, major population centers, and important economic zones. This diverts 6,700 men to the border with us when Colombia needs them everywhere the guerrillas are operating, in the jungle, the savanna, and desolate areas. Our need has diverted 6,700 men to what is our southern border and their eastern border.

[Granier] While all this is happening, Venezuela's economic imbalance is having a great impact on Colombian-Venezuelan trade. On the one hand, the exportation of Venezuelan products to Colombia has greatly increased because of the subsidy which the Venezuelan exchange rate represents. On the other hand, the currency imbalance, the differences in the Venezuelan currency, makes Venezuela very attractive for Colombian investment. The two phenomena could cause a reaction. Sooner or later, Colombian industrialists will react to this invasion of Venezuelan products. Sooner or later, Venezuelan nationalist sentiment can react against the substantial investment of Colombian capital in our country. How is the administration going to face these issues?

[Burelli] The main problem arose with the devaluation of the bolivar and the control of currency exchange because there was a maladjustment, a monetary asymmetry, which no one knew how to resolve. You realize that there are automatic adjustments. Trade along the border has its own guidelines for dealing with currency fluctuations.

In this case, there was a period of two or three months of concern and delay until the ALADI [Latin American Integration Association] system was adopted to apply a monetary plan to pay with national currency without

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resorting to international currency. That was a difficult moment, which we overcame, and I believe that plan will continue because the merchants's interest is so great that they find their own way to solve things.

I would like to add that although it is true that our products are being exported to Colombia, sometimes products are also imported into Venezuela. You understand that these are the laws of trade. What is interesting is that those products exported to Colombia are produced by Colombian-Venezuelans, and those that are imported are also manufactured by Colombian-Venezuelans. Thus we may take advantage of the trade experience to venture together into larger markets that ours.

The most important example we have is Brazil. Brazil practically abandoned 22 millions inhabitants of northern Brazil to Venezuelan trade and industrial competition because they cannot be supplied from either central or southern Brazil. They must be supplied with products ranging from toilet paper, steel sheets, and computers to everything else. That is the great challenge Venezuelan industry must face, and it should fill the imagination of the productive sector. Instead of complaining that this is not any good, that this country is in the worst category, there the manufacturers have a market larger than the Venezuelan market, and the experience Venezuela has gained in trading with Colombia should help Venezuelans fill northern Brazil, to venture into Brazil where our prospects are best.

That explains our rapprochement with Brazil. You may observe that our current relations with Brazil are the best in history. We are selling $1 billion in products to Brazil, whereas in 1964 we sold them $500 million. Because of a military coup and the application of the Betancour Doctrine, Brazil had to purchase oil from Iraq. In the Iraqi deal, Brazil sold cannons to Iraq. The Brazilian arms industry grew very rapidly because the Russians became familiar with the Brazilian cannons during the Iran-Iraq war, and Brazil became popular in Eastern Europe. Brazil bought into it.

Now we are recovering that market—our nearest and most secure market—which was worth $170 million a few years ago, is worth $1 billion now, and could increase to $1.8 or $2.5 billion.

We have other projects, such as the electric power interconnection between Guri and Manaus in which 1,500 km of power lines must be strung up. That project is ready. Brazil is pressuring us to complete that project. If there were an airline company that connected Boa Vista, Manaus, Porto Ordaz, La Guaira, Maiquetia, this exchange would be even greater. According to the tourism minister, the largest number of tourist visiting Venezuela today are Brazilians. Because one Brazilian real is worth 247 bolivars, and Margarita, which has warm waters like no other ocean, is very attractive to Brazilians, who are a wonderful market. In certain areas, the experiences of the Venezuelan businessmen who did not make war with Colombia because of Cararabo but continued to trade with their Colombian colleagues could be used to take advantage of that enormous opportunity to commercially invade Brazil, like Brazil wants us to invade it.

[Granier] Now we will go to a commercial break, but when we return, we will address several interesting issues: 1. In this relationship with Colombia, by which Venezuela is taking advantage of the new market open to it by selling goods, many goods that were originally sold there at 170 are later being resold at 230 or 240 [currency not specified]. We have also allowed a large amount of Colombian capital to flow into Venezuela to purchase banks, supermarket chains, food service businesses, and others. These two facts constitute a significant move that could spark reactions both in Colombia and Venezuela.

As for the Brazilian case, as you already mentioned, the relationship between Venezuela and Brazil has never been better. Venezuelans are taking advantage of this opportunity. Trade has grown from 170 million to 1 billion [currency not specified]. The question is: What is Brazil going to sell us in exchange? Are we going to purchase weapons from Brazil within the next few years? We will be right back. [commercial break]

Before discussing the Brazilian issue, I would like to further consider the Colombian issue. The increase in Venezuelan-Colombian trade relations is obvious; this trade has undoubtedly become a source of jobs and activities for Venezuelan and Colombian businessmen and workers, however, there is a certain imbalance that will trigger adverse effects sooner or later. Many goods Venezuela exports to Colombia are sold at 170 [currency not specified] to the dollar. The Colombian market is willing to pay up to 240 [currency not specified] for those products, thus making a significant profit, which is being left in Colombia. This profit, in one way or another, allows Colombian capital to flow into Venezuela and purchase businesses. In the last few months, we have witnessed the acquisition of a bank in a deal that was very favorable and very interesting for both Colombians and Venezuelans. The organization of the deal was original. We have also witnessed the acquisition of supermarket chains, store chains, and food companies. Colombian capital is flowing into...[pauses] Colombian capital had never been included in the foreign investment statistics, and as of this year, we will see it occupying a prominent place. Just like the trade invasion could spark many reactions there, the invasion of Colombian capital in Venezuela could also spark reactions.

[Burelli] That is correct; that is correct, but the integration itself will adjust it. This situation is occurring in Europe, which is the expert in integration matters. We must see something else: People who already own shares or who share a technological commitment are making these deals. What one could view as a disadvantage is compensated for by a number of advantages we cannot

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see. For instance, Colombian cheap...[pauses] Colombian labor already here in the country is making significant contributions to manufacturing the products being traded in this integration with Colombia. People do not realize Colombians are helping us create this wealth. For instance, in rural Venezuela, one fails to understand that meat, plantains, milk, cheese, and others products cannot be produced in Venezuela without Colombian workers. Many Colombian workers are already working for businesses that are serving Colombia-Venezuelan interests in Maracaibo, Maracay, and Valencia. This entanglement, to call it something, is very useful. This sort of entanglement prevented France and Germany from waging another war similar to those that had been waged for 1,000 years. When interests are mixed, a country where I put my interests cannot bomb the other country where I also put my interests. This type of combination, which definitely elicits the good effect of integration—peace—is what is happening here on a much smaller scale.

So, the use.... [pauses] I remember clearly when (Monomeros Colombianos) was created. It followed the integration line that I began in Colombia. There was a uproar at the time, but I wanted canned food to go to Colombia; I wanted the Cumana canning industry, which was the oldest Venezuelan industry, to export to Colombia. Colombia had never heard of it. Venezuelan sardines were as much a delicacy as caviar in Colombia. I wanted that to work over there, but it did not because Venezuelans were afraid. There is no Venezuelan cement industry in Colombia because Venezuelans were afraid. There was a time when Colombia did not produce a single bag of cement because they lacked the technology. These days they have enough cement to bury us. I also invited (Vencemos) to set up shop in Colombia. We have gone no further in our integration with Colombia because of this fear. Now, I believe that the problems that may arise in the integration process can be resolved immediately. We can see an example of this in Europe, where there are over 100 volumes of acts and rulings regarding differences over competition, currency exchange, noncompliance, and so on. The Andean Pact has its own legal body, which sits in Quito and is very seldom used. I think these things have been foreseen and have been annexed into the integration process.

[Granier] If the Venezuelan Government is so interested, as it obviously is, in intensifying trade relations and the exchange of interests, why doesn't it have a more aggressive foreign policy in that direction?

[Burelli] Let me give you an example. Something that attracts one's attention in the U.S., British, or French Embassies here in Venezuela is the extensive knowledge these ambassadors have about the business activities in the country. They know which businesses in their countries are investing in Venezuela and take an active part in promoting the interests of such companies. When one goes to the Venezuelan Embassy in the countries where we supposedly hold some degree of interest in increasing trade relations, one does not find the same attitude or support one finds here. So, if in fact Venezuela seeks to increase its commercial relations around the world, its foreign policy must change.

[Granier] What are you going to do to change it?

[Burelli] Obviously, we are even changing the way we select our officials. I am giving Venezuela's diplomatic system the economic emphasis it needs right now. It bothers me to hear people talk about commercial attaches. I want economic attaches or economic advisers with a new concept; well-educated people who know the field and speak several languages. I want people who are willing to get involved in the process and not be the bureaucrats who accumulate 30 years of procrastination and then retire from their 30 years of procrastination. No. We are changing that.

You must understand that our country is naive and inexperienced at all of this. We have always had father petroleum to provide for all our needs, so it was not necessary to discover or develop any new skills in any other field. The oil spurted out and the government gave us whatever we needed to sit back and do nothing. We are just now looking for a new kind of official with new responsibilities. That is why Colombia has been ahead of us. They have always had to work. They found oil now, but theirs is a country that is used to overcoming obstacles.

We must take advantage of the example that Colombia's small home industries are offering us. There are approximately 900,000 family businesses. The real wealth does not lie in big industry but is business at a human level that employs a whole family; one that brings families together within a single neighborhood to complete the parts of an end product, be it handicrafts or whatever, that may even be exported to the international market. This is interesting, and we are guiding our diplomatic activities in that direction.

To that end, we created a university institution that will highlight the economic issues and teach several disciplines. Graduates of any university career from any serious university are eligible. Following an entry examination, they will be allowed to attend classes at the institute for postgraduate studies for two years. There they will study economics, modern languages, and the history of the nation they will be representing. These three elements, plus the human aspect, which should be very closely examined, will represent our country, which had been represented around the world mostly by political activists or by officials who, despite their best intentions, lack information from here. They get no information. No one even answers their letters.

Historically, the Foreign Ministry's most serious problem has been not replying to ambassadors. They are left hanging, so to speak. Being aware of this situation, which is not new but which we are in the process of correcting, when I was ambassador I used to send a

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telegram to the ministry saying: I am going to do this or that unless the office has a different opinion. I gave the office one week to reply. If there was no response, I felt free to proceed without fear of disobedience. The idea spread, but new ambassadors have failed to do even this. As a consequence, our diplomacy lacks stimuli because the Foreign Ministry just does not answer the ambassadors' notes, and ambassadors do not receive instructions. For instance, Venezuela is offered something, then Venezuela writes a note to the ambassador telling him to procure this same thing without realizing that the government itself had already proposed it. We are lacking not only in diplomacy but in everything. We must start creating a culture of effort and interest and a search for markets. That is what we are doing.

[Granier] I would like you to return to the Brazil subject. One of the results of this opening in relations with Brazil is that caravans of cars and families from Brazil have been seen streaming from Santa Elena Mairena to Pedro Gonzalez. People stop everywhere with their humor, friendship, and money. [laughs] A short while ago, we said that after the opening in relations between Venezuela and Brazil, we have observed with favor the number of Brazilians who come to our country as tourists and who go about spreading friendship and leaving their money along the way. All of this helps establish a bond between Venezuelans and Brazilians, which will make it possible for this commercial flow of 170 million to reach 1 billion [currency not specified] and to continue to grow, making Brazil one of Venezuela's most important commercial partners. One other thing. You said that arms play a prominent role in Brazil's export products. What role will arms play in relations between Venezuela and Brazil?

[Burelli] Well, we are a peaceful country. We have never had a war, and we do not expect to have one, except to defend national sovereignty.

[Granier] You also said a few minutes ago that we must increase our military presence at the border.

[Burelli] I think the Venezuelan Armed Forces are well equipped for this work. That is why I think a certain political leader was a little naive to have said yesterday that we must protest to Colombia for having tanks at the border. (?We did not invite them). Protesting the presence of their tanks would be like asking them to protest for the large number of tanks we have deployed at our own border. I think this is ridiculous.

[Granier] The people there should not worry about our arms because since Gardenia sold the jackknives to us, we know that Venezuelan armaments are not precisely the best. Nevertheless, I have heard that plenty of Venezuelan arms are reportedly in the hands of Colombian guerrillas.

[Burelli] Yes, but they were obsolete and not very powerful.

[Granier] Why was what happened never clarified? Evidently, there were Venezuelan officials involved in arms smuggling.

[Burelli] This is as old as the relations between the two countries. When I was ambassador 30 years ago, arms with the Venezuelan coat of arms were found in guerrilla hands. It should be taken for granted that these arms were stolen or sold by whoever had them, or whatever.

I find the Brazilian subject very interesting because the cooperative relations are deliberate and pleasant. President Caldera and I agree on this more than on any other aspect of foreign policy [words indistinct]. President Caldera is a great advocate of development of the southern area and, by extension, of friendship with Brazil. I think Brazil's future lies in the Northern Cone, which is no cone, as you know. It is necessary for us to create a Colombian-Brazilian-Venezuelan geopolitical relationship if we are to become authentic. It is not until now that we have be able to become authentic, because the Cold War penalized all movements that did not conform to its dictates. Now we are on a kind of planetary vacation.

We do not know how long it will last. There are no superpowers anymore. We are free to move about, and our fantasy is to create an alliance with Brazil in all areas. This is an alliance that will benefit us, because this is a peaceful nation with a kind history. Venezuela, on the contrary, saw a battle to the death. While all other American nations achieved their independence through bloodshed, Brazil gained independence because the king, who was living in Brazil, said he was leaving.

The Portuguese crown was intelligent enough to move to Brazil when Napoleon invaded Portugal. When the storm blew over and King John returned to Portugal, his son said: I'm staying [previous two words in Portuguese]. A liberal and constructive monarchy ruled the country for 70 years. When Emperor Pedro II, Pedro's son, heard there were winds of change and that the people wanted a republic, he said, I am leaving. Between the I am staying of the father and the I am leaving of the son, Brazil solved all its political problems. It went from a monarchy, which left a mark, to a republic that continues to struggle against the same problems all our republics do, but without the bloodshed that has marked the other countries. Spain did not have the same vision as Portugal did.

[Granier] Could the I am leaving of Carlos Andres Perez and the I am staying of President Rafael Caldera be the same?

[Burelli] Yes. The I am staying is from a man who wants to participate in the most intense drama of the present times in Venezuela and was the only one with the values to give the country direction. Can you imagine what the situation in Venezuela be like if any of the other candidates had won? This is a man who was forged in the country and whose prestige was won abroad, therefore

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there was no need to build any such prestige. This being true, the world media still treats us so poorly and longs for a catastrophe. Can you imagine what would have happened to another president who lacked the international prestige and majesty that Caldera has given the presidential office?

That is very important, but I must say again that the Brazilian matter is very important. In addition to this being a market with 170 million consumers—and that is nothing to sneeze at, as Luis Herrera Campos would say—they have also developed technologically. They make airplanes, boats, and all sorts of modern technological equipment, all of which interests us. They have something else that should not be ignored: They are installing a satellite system to monitor the whole Amazon region. It will cost them $1.4 billion. They will charge us and provide us with a service, telling us where prospectors are destroying the forest, where miners are polluting our rivers, and where there is a drug processing laboratory. The benefits from a relationship with Brazil would be quite complete. It would allow us to go in a different direction. Through the Rio Group, we are moving closer to the EU, because there will come a time when Europe will decide to look toward its cousins; us, of course.

[Granier] I would like to go back to the Brazil issue for a moment. Just a minute ago you mentioned the possibility of supplying power. The basic relationship between Venezuela and Brazil is oil. Brazil is a significant energy consumer, and Venezuela has it; not only crude, but many other forms. Will the energy arrangement between Venezuela and Brazil be strictly about oil, or will it include alternative energy source such as gas and hydroelectric power?

[Burelli] We will have everything. The lines to Manaos will carry clean, nonpolluting energy like ours. In addition, we are studying the possibility of joining Petrobras, the Brazilian Petroleum Enterprise, with the Venezuelan Petroleum Enterprise [PDVSA] to create Petroamerica. PDVSA may be a larger company, but Petrobras has a market of 170 million consumers and higher technology in offshore drilling. These two companies brought together will show the world that there is a Latin America that has its own way of developing, growing, and doing the things it should.

These are the liberties we can take for ourselves today. They cannot say we are communists because we follow a specific line of action. There is also our effort to move closer to Europe, which was our original model. The two wars held us away from them and made us orbit other technological centers. Although most important, much appreciated, and very cherished, this distracted us and generated a kind of moral upheaval similar to the bloody upheavals, which turned us into a generation of stutterers. It muddled our education system and our customs, which were based on the European model. It dragged us into consumerism, which is the product of that technological civilization and makes people a disposable asset after they turn 45, for example. Europe has a different set of ethical values we must look toward.

[Granier] What capital will that Venezuelan-Brazilian oil company have? What objectives will it pursue?

[Burelli] The objective is to conquer an ever-increasing market.

[Granier] Which market?

[Burelli] The European market and the... [pauses] imagine, there are 1.2 billion Chinese. Although China has oil, by the time it begins tapping its oil as we do, we could find a major market there. In addition, as we all know, oil is more important for manufacturing chemical byproducts than for burning it. Imagine what we could achieve if we join these two markets: huge production and a larger exploration and refining capacity.

[Granier] When will this company become a reality?

[Burelli] It will become a reality soon. The documents will possibly be ready in July.

[Granier] When President Cardoso comes...

[Burelli, interrupting] When President Cardoso comes. We are waiting for him to come and preside over the national festivities along with President Caldera, just like President Caldera last year presided over the Brazilian national festivities along with President Franco in a gesture of great friendship. We are giving this act a major significance. We will not stop here though. Seven types of macro-convertible agreements are already being implemented. We have signed border, trade, technological, and cultural agreements. We have covered all fields. These are the only cases in the country's diplomatic history in which all tasks forecasted are mathematically being carried out. [sentence as heard]

[Granier] Unfortunately, Foreign Minister, time is running out. Who will become the Venezuelan Cardoso?

[Burelli] This is a question I am in no conditions to answer, but...

[Granier, interrupting] Could it be you?

[Burelli] No, I do not have presidential aspirations. When I had them, I made them public and struggled a great deal. That phase is over, and I am pleased with the results. The world is still turning though. The main idea is to seek in a timely fashion—and we do not have much time—a man for the future of Venezuela. We are giving much emphasis to the personal values of Dr. Caldera, and we are failing to create new forces. We urgently need a new figure. I, as a history connoisseur, know that this problem could be solved, because people make miracles, however, miracles must be defended and promoted. While we are detached from the true and profound political debate, we are wasting precious time. We are not becoming aware that we do not have a President

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Caldera... [pauses] this government does not have another alternative; we have only chaos. We must thus create an alternative for this government. We are failing to create this alternative, however, with the games we are playing. I think we Venezuelans are a bit lost. We have failed to understand what is going on. The national entity is at stake. Congress and certain parties have understood it somehow as they have supported President Caldera, because they know Caldera concerns them too. The salvation of the entire nation is in the hands of Caldera or the chaos. We must understand it. We must not do away with Caldera, because we will be doing away with Venezuela.

[Granier] Do you not think that the government sometimes plays this game too, that it is feeding chaos?

[Burelli] Look, the government is not feeding chaos; this government had to go on the defensive at the time. If it were on the offensive, we would be in better condition. However, we have not been given enough time. As Mafalda [Argentine political cartoon character] says, people and issues occupy significant places in life.

The government has always had to weather a storm. When it resolves an issue, a worse issue comes along. People in the streets are asking for miracles when the coffers are empty. The only thing we have is a commitment to work and serve with honesty, which is the value that was missing the most in Venezuela and which is again in vogue. I want to tell my compatriots that Venezuela's current problem is remembering to not contribute to the discredit of Venezuela, because the Venezuelan chaotic supplies are feeding the discredit we have abroad. We do not have an alternative; we must create one for the next elections. Since we are in a democracy, we must create it democratically.

[Granier] Thank you very much, Foreign Minister. Thank you very much, my friends. As always, I will be waiting for you next Sunday at 2200 hours.

Council of Ministers Approves Decree Creating Bond-Subsidy

PA1404181095 Caracas ECONOMIA HOY in Spanish 12 Apr 95 p 3

[Report by Gregorio Salazar]

[FBIS Translated Text] As the first preliminary action of the antiinflationary commitment which businessmen, workers, the Central Bank of Venezuela (BCV), and the government are promoting, the Council of Ministers yesterday approved a decree creating a 500 bolivar bond-subsidy, which does not have a bearing on social benefits, for each day worked by all private sector workers.

This measure seems to clear the path toward a gasoline increase, judging by the statement President Rafael Caldera has made at an event THE ECONOMIST has organized. Caldera has said there would be no "dogmas" preventing these types of measures once the government took steps to recover the workers' real income.

The executive branch has authorized the finance, Cordiplan [Office of Coordination and Planning], and labor ministers to make public the measure drafted 15 days ago, but with different estimations. The bond that was approved yesterday represents a simpler form of the one assessed two weeks ago, because it lowers the bond-subsidy limit to 150,000 bolivares and eliminates increases in percentages.

Minister Luis Raul Matos Azocar (finance), whom his colleagues Werner Corrales (Cordiplan) and Juan Nepomuceno Garrido (labor) accompanied, read a communique, which was drafted with a studied frugality, that began by stressing the positive responses all the sectors involved in the "antiinflationary commitment" had given.

Public sector workers "will obtain their benefits through the application of their corresponding tables, which complement those applied in recent months."

The government pledges to continue monitoring the price stability and the employment rate. In the fifth and last paragraph of the brief communique, the executive branch "confirms and expands its invitation to honor the antiinflationary commitment, through the application of which we will achieve the stabilization and economic recovery objectives."

Many questions were posed to the labor minister, who has said the table for public employees, "which is already being drafted," will be revised.

Asked whether part of this increase could be muffled by those that were granted in recent months, Garrido affirmed "this issue has been given no specific consideration."

The decree will go into effect the day it is published in the GACETA OFICIAL, which is supposed to be today.

Brady Bonds

The Finance Ministry still does not have a position on the remarks the JAC [Exchange Administration Board] has made on the operations of the Brady Bonds in the securities exchange, because, among other reasons, the JAC has failed to make its objections public. Yesterday, Matos said that "the government does not have any objection from the strictly financial and operational standpoint" and that, on the contrary, the issuance of the decree itself "encourages their operation and participation in all markets and international securities exchanges."

Bonds and Budgets

Guillermo Alvarez Bajares, Central Information Office (OCI) minister, was in charge of mentioning the issuance

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of treasury bonds totaling 254 billion bolivares to refinance the public debt capitals in arrears, those that expired in 1994 and those that will expire in 1995.

Meanwhile, the approval of the following budgets was reported: Macsi [expansion unknown], 692 million bolivares; the Central Administration Fund, 3.651 billion bolivares; IPSFAN [National Armed Forces Welfare Institute], 54.901 billion; the University Hospital, 5.681 billion; INN [National Nutritional Institute], 19.883 billion; the Agricultural Research Fund, 5.932 billion; Sucre State small-scale producers, 969 million; the Caracas Metro, 75.079 billion; the Venezuelan Water Company, 3.333 billion; the Caribbean Water Company, 261 million; Iclam [expansion unknown], 772 million; the Latin American Forestry Institute, 12 million; Zulia Urban Development, 1.959 billion; COL [expansion unknown] Urban Development, 6.965 billion; the National Youth Orchestra, 1.469 billion; Fundacomun [Foundation for Community and Municipal Development], 7.111 billion; and Conicit [National Council for Scientific and Technological Research], 18.771 billion.

Investment Fund Plans Regional Loans

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[Report by Betsy Santistevan]

[FBIS Translated Text] Based on yearly projections by the Venezuelan Investment Fund (FIV), the country will earn $544 million in four years in profits from loans granted to Central America and Caribbean nations. This amount is comprised of capital and an annual interest rate of 8.6 percent.

Romelio Mejias, manager of FIV's International Financial Corporation, provided this information. He added that a total of $227 million will be disbursed during this same period.

These disbursements will be rolled into FIV funds and will later be earmarked to develop programs within its jurisdiction.

Commenting on the binational committee that recently went to Central America to take a closer look at how the San Jose Pact is working, Mejias noted that these trips are made twice a year as routine visits to try to adjust this accord to the new situation in our country.

Last December, a meeting of FIV's assembly approved a report that establishes the way in which allocations should be used. This will be done based on inspections that the IMF, World Bank, and the Inter-American Development Bank have imposed on these nations as a precursor to negotiations.

Another element to be taken into consideration are the privatizations of petrochemical industries in Honduras, Guatemala, and El Salvador, which means that the governments of those nations stopped buying from Venezuelan Petroleum (PDVSA). There are also private companies in open competition to try to bring oil products to the internal markets of those countries.

During a meeting, FIV tried to explain to regional countries the assembly's decision to channel resources to joint ventures and promote the development of small and medium-sized companies to cover Venezuelan imports and contribute to the development of these nations.

All these fundamental changes do not mean they will stop buying oil from Venezuela. But they do evade the terms of the San Jose Pact as a plan among governments, and transactions will have to be made with private Central American businessmen.

FIV To Walk Alone

Likewise, all countries were advised that contributions from the executive branch to FIV would be discontinued as of this year, so resources would have to be used more efficiently. Also, cooperation is a two-way street. "We rendered assistance at given times; now we need support from other countries, and I truly believed that we have received it."

Fortunately, most of the beneficiaries of the San Jose Pact decided to repay their debt in advance in bolivares. Others agreed to an exchange rate of 170 bolivares per U.S. dollar. In addition, the countries involved agreed to repay their pending obligations within three or four years.

With respect to debt dollarization, the International Financial Cooperation manager pointed out that countries like the Dominican Republic, Jamaica, Barbados, and Guatemala had agreed to the measure. At the same time, Honduras had repaid $3 million, while El Salvador decided to support the measure. On the other hand, Costa Rica was the only country that abstained, for the time being, from approving the dollarization of its debt while it assessed other options.

Panama, one of the countries in default, decided to withdraw from the San Jose Pact in 1989. Its debt is now $92 million, of which only $60 million has matured. Arrangements for payment have not been resolved and are being handled through the Venezuelan Foreign Ministry. It is expected that this issue will be solved some time in June.

Two months ago, Haiti, another nation with matured obligations totaling $6 million, decided to repay $2.8 million in payable interest and interest in arrears. Likewise, the country was granted a three-year extension to repay $3.5 million in capital; the remaining $2.5 million will be repaid in June. Only until then will Haiti be allowed to rejoin the agreement in October.

Another issue that was negotiated dealt with limiting the time period for utilizing available resources. Some countries, because of one internal setback or another, tend to

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delay the start of projects for which they have been granted a specific date. In other words, they tend to start much later than the date originally negotiated. In this respect, a one-year time period has been agreed for the total approved financing or it will revert back to the FIV, since it is very unlikely that it will be used in another project. "If we adjust the implementation time, and the countries undertake special efforts to expedite arrangements, it is more than likely that a significant portion of all disbursements will be completed. This is important, and I insist that it is of no use to have a program that only works on paper," Mejia added.

Aztec Business

The most significant aspect of this agreement is being able to negotiate these conditions with Mexico and to clarify if this country is willing to acknowledge that purchases from private companies will continue to be the basis of the San Jose Pact. This decision would seem logical since the profitable aspect of all this would be for these private companies to continue purchasing crude and that by maintaining these sources, we would be gaining stability, guarantees, and other advantages.

Another issue to be reviewed with the Mexicans includes the price structure that appears in the joint declaration establishing a minimum and maximum price for a barrel of crude oil. Currently, the minimum price for a barrel of crude oil is $15, while the maximum price is $40.

Companies to Seek Markets Abroad

On the other hand, Romelia Mejias indicated that many Venezuelan companies will have to seek business overseas if they expect to survive, since the country is undergoing a severe economic crisis that will affect them one way or another. This, however, does not mean that Venezuela will be neglected.

With respect to the creation of a foreign trade bank, she pointed out that it will be established in the long run and that the FIV could become part of an investment bank that will work jointly with the foreign trade bank to maintain the International Financial Cooperation division and the San Jose Pact.

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